



**PRUDENTIAL**

**Prudential plc**

*(incorporated with limited liability in England and Wales under the Companies Act 1985  
with registered number 1397169)*

as Issuer

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£5,000,000,000

Medium Term Note Programme

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On 22 November, 2001 Prudential plc (the "Issuer" or "Prudential") entered into a £5,000,000,000 Medium Term Note Programme (the "Programme").

This Prospectus supersedes any previous prospectuses issued in respect of the Programme. Any Notes (as defined below) issued under the Programme after the date hereof are issued subject to the provisions set out herein. This does not affect any Notes issued under the Programme prior to the date hereof.

Under the Programme, 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 senior obligations ("Senior Notes"), as dated notes with terms qualifying as Tier 2 Capital (as defined herein) ("Dated Tier 2 Notes"), as undated notes with terms capable of qualifying as Tier 2 Capital ("Undated Tier 2 Notes" and, together with the Dated Tier 2 Notes, the "Tier 2 Notes"), or as undated subordinated obligations, ranking junior to the Tier 2 Notes and with terms capable of qualifying as Tier 1 Capital (as defined herein) ("Tier 1 Notes").

Application has been made to the Financial Services Authority (the "FSA") in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") (the "UK Listing Authority") for Notes issued under the Programme 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 UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). The Market is a regulated market for the purposes of European Council Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The relevant Final Terms (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be traded on the Market and listed on the Official List. Notes may also be issued which are not listed or traded on any stock exchange.

Prudential has a short-term/long-term debt rating of P-1/A2 (stable outlook) by Moody's Investors Service Ltd ("Moody's"), A-1/A+ (negative outlook) by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") and F1/A (stable outlook) by Fitch Ratings Limited ("Fitch"). Each of Moody's, Standard & Poor's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). For information regarding the ratings of Notes issued under the Programme, please see page 9 below.

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 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 (i) in the United States only to persons reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") in reliance on the exemption from registration provided by Rule 144A and (ii) to certain persons outside the United States 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*".

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

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*Arranger for the Programme*

**Barclays**

*Dealers*

Barclays  
Deutsche Bank  
The Royal Bank of Scotland

Citigroup  
Goldman Sachs International  
UBS Investment Bank

## IMPORTANT INFORMATION

This Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). The Issuer has confirmed to the Dealers, as named and defined under "*Subscription and Sale*" below, in the context of the Programme and the issue of any Notes, that this Prospectus contains all such information as is necessary to enable investors to make an informed assessment of: (a) the assets and liabilities, financial position, profits and losses and prospects of the Issuer; and (b) the rights attaching to the relevant Notes, that this Prospectus is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions and that there are no other facts in relation thereto the omission of which would, in the context of the Programme or the issue of the relevant Notes, make any statement in this Prospectus or the opinions or intentions expressed herein misleading in any material respect, and all reasonable enquiries have been made to verify the foregoing.

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, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined herein) of Notes will be set out in a final terms document (the "Final Terms") which, with respect to Notes to be admitted to the Official List and admitted to trading on the Market, will be delivered to the UK Listing Authority and the London Stock Exchange.

Subject as provided below, copies of each Final Terms will be available for viewing on weekdays during normal business hours from the registered office of the Issuer and the specified offices of The Law Debenture Trust Corporation p.l.c. (the "Trustee") and the Issue and Paying Agent (as defined herein) for the time being in London and set out at the end of this Prospectus. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the Market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the Trustee or the Issue and Paying Agent as to the identity of such holder.

This Prospectus should be read and construed with any amendment or supplement hereto and with any documents incorporated herein by reference (see "*Documents Incorporated by Reference*" below). Further, in relation to any Series of Notes, this Prospectus should be read and construed together with the relevant Final Terms.

No person has been authorised by the Issuer, any Dealer or the Trustee to give any information or to make any representation not contained in or not 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 should not be relied upon as having been authorised by the Issuer, any Dealer or the Trustee.

No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers nor the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is accurate subsequent to the date hereof or that there has been no adverse change in the financial situation 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 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.

## **IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES**

### **Restrictions on Public Offers of Notes in Relevant Member States**

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “Public Offer”. This Prospectus has been prepared on a basis that permits Public Offers of Notes. However, any person making or intending to make a Public Offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) may only do so if this Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Prospectus in connection with such offer as provided under “*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*” below and the terms of that consent are complied with by the person (the “Offeror”) making the Public Offer of such Notes.

Save as provided above, none of the Issuer and any Dealer has authorised, nor do they authorise, the making of any Public 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.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

Any person (an “Investor”) intending to acquire or acquiring any Notes from any Offeror other than the Issuer or a relevant Dealer should be aware that, in the context of a Public Offer of such Notes, the Issuer will be responsible to the Investor for this Prospectus under section 90 of the FSMA only if the Issuer has consented to the use of this Prospectus by that Offeror to make the Public Offer to the Investor. None of the Issuer and any Dealer makes any representation as to the compliance by that Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and none of the Issuer and any Dealer has any responsibility or liability for the actions of that Offeror. **Save as provided below, none of the Issuer and any Dealer has authorised the making of any Public Offer by any Offeror or consented to the use of this Prospectus by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and none of the Issuer and any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If the Issuer has not consented to the use of this Prospectus by an Offeror, the Investor should check with the Offeror whether anyone is responsible for this Prospectus for the purposes of section 90 of the FSMA in the context of the Public Offer and, if so, who that

person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

In connection with each Tranche of Notes, and provided that the applicable Final Terms specify an Offer Period, the Issuer consents to the use of this Prospectus in connection with a Public Offer of such Notes subject to the following conditions:

- (i) the consent is only valid during the Offer Period so specified;
- (ii) the only Offerors authorised to use this Prospectus to make the Public Offer of the relevant Tranche of Notes are the relevant Dealer and either:
  - (a) (i) if the applicable Final Terms names financial intermediaries authorised to offer the Notes, the financial intermediaries so named and/or (ii) if the Issuer appoints additional financial intermediaries after the date of the applicable Final Terms and publishes details of them on its website, each financial intermediary whose details are so published; or
  - (b) if specified in the applicable Final Terms, any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive which states on its website that it is relying on this Prospectus to offer the relevant Tranche of Notes during the Offer Period;
- (iii) the consent only extends to the use of this Prospectus to make Public Offers of the relevant Tranche of Notes in each Relevant Member State specified in the applicable Final Terms; and
- (iv) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

**Any Offeror falling within sub-paragraph (ii)(b) above who meets all of the other conditions stated above and wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website that it is relying on this Prospectus for such Public Offer with the consent of the Issuer.**

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Prospectus. The Issuer accepts responsibility, in the jurisdictions to which the consent to use this Prospectus extends, for the content of this Prospectus in relation to any Investor who acquires any Notes in a Public Offer made by any person to whom consent has been given to use this Prospectus in that connection in accordance with the preceding paragraph, provided that such Public Offer has been made in accordance with all the conditions attached to that consent.

For the purposes of paragraph (iii) above, the only Relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) will be the United Kingdom, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland and Sweden, and accordingly each Tranche of Notes may only be offered to Investors as part of a Public Offer in the United Kingdom, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland or Sweden, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A**

**PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER AND ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

#### **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 comes 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*". In particular, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. This Prospectus has not been submitted for clearance to the *Autorité des marchés financiers* in France.

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, including where principal or interest is payable in one or more currencies, 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 be familiar with the behaviour of any relevant indices and 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.

Legal investment considerations may restrict certain investments. 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) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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. 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.

## 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.

This Prospectus may be distributed on a confidential basis in the United States to QIBs for informational use solely in connection with the consideration of the purchase of the Notes of the Issuer being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A").

Each purchaser or holder of Notes represented by a Rule 144A Global Note (as defined below) or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Provisions relating to the Notes while in Global Form*".

Each Tranche of Notes in registered form offered and sold in reliance on Regulation S under the Securities Act ("Regulation S"), which will be sold to non-U.S. persons outside the United States, will be represented by a global Note in registered form (a "Regulation S Global Note") which will be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

Each Tranche of Notes in registered form offered and sold to QIBs will be represented by a global Note in registered form (a "Rule 144A Global Note" and, together with a Regulation S Global Note, the "Registered Global Notes") which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC").

## CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, YOU ARE INFORMED THAT: (I) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS PROSPECTUS (INCLUDING ANY ATTACHMENT) IS NOT INTENDED OR WRITTEN BY THE ISSUER TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX PENALTIES UNDER THE U.S. INTERNAL REVENUE CODE OF 1986; (II) SUCH ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS

ADDRESSED HEREIN; AND (III) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Trust Deed dated 22 November, 2001 as modified and/or supplemented and/or restated from time to time (the “Trust Deed”) between the Issuer and the Trustee, to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by it, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Issuer is currently a reporting company under the Exchange Act.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a company organised under the laws of England and Wales. The majority of the officers and directors thereof named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England and Wales upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside England and Wales predicated upon civil liabilities of the Issuer or such directors and officers under laws other than England and Wales, including any judgment predicated upon United States federal securities laws. The Issuer acknowledges that there is doubt as to the enforceability in England and Wales in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

All references in this document to “US\$”, “US dollars” and “\$” are to United States dollars, those to “Sterling” and “£” are to pounds sterling, those to “THB” are to Thai Baht and those to “euro”, “Euro”, “€” and “EUR” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## SOURCES

Throughout this Prospectus, Prudential describes the position and ranking of its overall business and individual business units in various industry and geographic markets. The sources for such descriptions come from a variety of conventional sources generally accepted as relevant business indicators by members of the financial services industry. These sources include information available from the Annuity Specs, Asosiasi Asuransi Jiwa Indonesia, Asset management Association of Korea, Association of British Insurers, Association of Mutual Funds in India, Association of Vietnamese Insurers, Association of Unit Trusts and Investment Funds, Insurance Regulatory and Development Authority of India, Investment Management Association, Investment Trust Association of Japan, Nielsen Net Ratings, Moody's, Propriety Research, Standard & Poor's, Fitch, UBS, Morningstar Life Insurance Marketing and Research Association (LIMRA), Lipper Inc., Townsend and Schupp, The Advantage Group, the Life Insurance Association of Singapore, the Hong Kong Federation of Insurers, Hong Kong Office of the Commissioner of Insurance, Life Insurance Association of Malaysia, Life Insurance Association of Taiwan and the Taiwanese Securities Investment Trust Consulting Association, SNL Financial and Service Quality Management Group and Wind Information Co. Ltd (China). Where applicable, the source of any third party information used in this Prospectus is specified herein.

Prudential confirms that information sourced from a third party has been accurately reproduced and that, as far as Prudential is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein may contain certain forward-looking statements with respect to certain of the Issuer's plans and its goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about the Issuer's beliefs and expectations and including, without limitation, statements containing the words "may", "will", "should", "continue", "aims", "estimates", "projects", "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made. By their nature, all forward-looking statements involve risk and uncertainty. A number of important factors could cause Prudential's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to, future market conditions, fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities; the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of changes in capital, solvency standards or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Issuer and its affiliates operate; and the impact of legal actions and disputes, together with other factors discussed in "*Risk Factors*". These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, the Issuer's actual future financial condition or performance or other indicated results may differ, possibly materially, from those anticipated in the Issuer's forward-looking statements.

Any forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are made only as of the last practicable date. The Issuer may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the FSA, the Issuer's annual report and accounts to shareholders, proxy statements, offering circulars, registration statements and prospectuses, press releases and other written materials and in oral statements made by directors, officers or employees of the Issuer to third parties, including financial analysts. The Issuer undertakes no obligation to update any of the forward-looking statements contained in this Prospectus (including the documents incorporated by



reference herein) or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise, except as required pursuant to the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST listing rules or other applicable laws and regulations.

### **EXCLUSIVE JURISDICTION**

Under the Issuer's Articles of Association, any proceeding, suit or action between a shareholder and Prudential and/or its directors arising out of or in connection with the Articles of Association or otherwise, between Prudential and any of its directors (to the fullest extent permitted by law), between a shareholder and its professional services providers and/or between Prudential and its professional services providers (to the extent such proceeding, suit or action arises in connection with a proceeding, suit or action between a shareholder and such professional service provider) may only be brought in the courts of England and Wales.

### **RATINGS**

The Programme has been rated (P)A2 (Senior Notes), (P)A3 (Dated Tier 2 Notes), (P)A3 (Undated Tier 2 Notes) and (P)Baa1 (Tier 1 Notes) by Moody's; A+ (Senior Notes), A- (Dated Tier 2 Notes), A- (Undated Tier 2 Notes) and A- (Tier 1 Notes) by Standard & Poor's, and A (Senior Notes) and BBB+ (subordinated debt) by Fitch.

As at the date of this Prospectus:

The Prudential Assurance Company Limited's ("Prudential Assurance") financial strength is rated Aa2 by Moody's, AA by Standard & Poor's and AA by Fitch. The Moody's and Fitch ratings are on stable outlook and the Standard & Poor's rating is on negative outlook.

Jackson's financial strength is rated AA by Standard & Poor's Financial Services LLC and Fitch, Inc., A1 by Moody's Investors Service, Inc. and A+ by A.M. Best. The Moody's, Fitch and A.M. Best ratings are on stable outlook and the Standard & Poor's rating is on negative outlook.

None of the Jackson ratings are issued in the European Union as Standard & Poor's Financial Services LLC, Fitch Inc., Moody's Investors Service, Inc. and A.M. Best Company, Inc. are not established in the European Union and none are registered under the CRA Regulation.

However, following the US CRA regulation passing the European Securities and Markets Authority equivalence test:

- (i) credit ratings published by Standard & Poor's Financial Services LLC are endorsed on an ongoing basis by Standard & Poor's Credit Market Services Europe Limited, a CRA regulated rating entity;
- (ii) credit ratings published by Fitch, Inc. are endorsed on an ongoing basis by Fitch Ratings Limited, a CRA regulated rating entity; and
- (iii) credit ratings published by Moody's Investors Service, Inc. are endorsed on an ongoing basis by Moody's Investors Service Ltd, a CRA regulated rating entity.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) pages 149 to 436 of the annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2010 and pages 159 to 464 of the annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2011; and
- (2) pages 73 to 228 of the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June, 2012 and the review report on such interim financial statements,

save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus may be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any documents and/or information 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 not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained: (i) by a request in writing to the Issuer at its registered office as set out at the end of this Prospectus and marked for the attention of the Company Secretary; (ii) by visiting the Issuer's website at [www.prudential.co.uk](http://www.prudential.co.uk); or (iii) from the specified office of the Issue and Paying Agent for the time being in London.

Where reference is made to a website in this Prospectus, the contents of that website do not form part of this Prospectus.

## SUPPLEMENTAL PROSPECTUS

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes in compliance with section 87G of the FSMA.

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## STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) ACTING AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

## SUMMARY OF THE PROGRAMME

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

<b>Section A – Introduction and Warnings</b>	
<b>Element</b>	
<b>A.1</b>	<p><b>This summary should be read as an introduction to the Prospectus. Any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation hereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</b></p>
<b>A.2</b>	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Public Offer".</p> <p>[Not Applicable; the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[Not Applicable; the Notes are issued in denominations of less than €100,000 (or its equivalent in any other currency) but will be offered pursuant to one or more exemptions from the obligation under the Prospectus Directive to publish a prospectus. There will be no Public Offer of the Notes.]</p> <p>[The Issuer consents to the use of the Prospectus in connection with a Public Offer of the Notes subject to the following conditions:</p> <ul style="list-style-type: none"> <li>(i) the consent is only valid during the period from [[ ] until [ ]/[the Issue Date]/[the date which falls [ ] Business Days thereafter]] (the "Offer Period");</li> <li>(ii) the only persons (each an “Offeror”) authorised to use the Prospectus to make the Public Offer of the Notes are the relevant [Dealer/Manager] and [(i) [ ] [and [ ]] and/or (ii) if the Issuer appoints additional financial intermediaries after [ ] (being the date of the Final Terms) and publishes details of them on its website, each financial intermediary whose details are so published]/[any financial intermediary which is authorised to make such an offer under Directive 2004/39/EC (the Markets in Financial Instruments Directive), which acknowledges on its website that it is relying on the Prospectus to offer the Notes during</li> </ul>

	<p>the Offer Period]; [and]</p> <p>(iii) the consent only extends to the use of the Prospectus to make Public Offers of the Notes in [ ] [and [ ]]; [and]</p> <p>[(iv) the consent is subject to the following other condition[s]: [ ].]</p> <p><b>[Any Offeror falling within sub-paragraph (ii) above who meets all of the other conditions stated above and wishes to use the Prospectus in connection with a Public Offer is required, at the relevant time, to publish on its website that it is relying on the Prospectus for such Public Offer with the consent of the Issuer.]</b></p> <p><b>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER OR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.]</b></p>
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<b>Section B – Issuer</b>		
<b>Element</b>	<b>Title</b>	
<b>B.1</b>	Legal and commercial name of the Issuer	Prudential plc.
<b>B.2</b>	Domicile and legal form of the Issuer, legislation under which the Issuer operates and country of incorporation	The Issuer was incorporated in England and Wales as a private company limited by shares on 1 November, 1978. On 1 October, 1999, it changed its name to Prudential public limited company and re-registered as a public company limited by shares under the Companies Acts 1948 to 1980 on 20 January, 1982.
<b>B.4b</b>	Known trends affecting the Issuer and its industry	Not Applicable. There are no particular trends indicated by Prudential plc.
<b>B.5</b>	Description of the Group and the Issuer's position within the Group	<p>The Issuer is the holding company of all the companies in the Prudential group (the "Prudential Group" or the "Group") and its assets are substantially comprised of shares and loans in such companies. It does not conduct any other business and is accordingly dependent on the other members of the Prudential Group and revenues received from them.</p> <p>The Prudential Group is an international financial services group with significant operations in Asia, the United States and the United Kingdom.</p>

<b>B.9</b>	Where a profit forecast or estimate is made, state the figure	Not Applicable. The Issuer has not made any profit forecasts or estimates.																																																
<b>B.10</b>	Any qualifications in the audit report	Not Applicable. There are no qualifications in the audit reports to the Annual Report 2010 and the Annual Report 2011 of the Issuer.																																																
<b>B.12</b>	Selected historical key financial information regarding the Issuer plus a statement that there has been no material adverse change in the prospects of the Issuer since the date of its last audited financial statements or a description of any material adverse change and a description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information	<p>The following tables present the profit and loss account and balance sheet data for and as at the six months ended 30 June, 2012 and 30 June, 2011 and the years ended 31 December, 2011 and 31 December, 2010. The information has been derived from the Issuer's unaudited consolidated half year financial statements and the Issuer's audited consolidated financial statements audited by KPMG Audit Plc.</p> <p><b>Unaudited Consolidated Half Year Financial Results</b></p> <p><b>International Financial Reporting Standards (IFRS) Basis Results</b></p> <table border="1" data-bbox="494 817 1436 1814"> <thead> <tr> <th></th> <th style="text-align: right;">Half Year 2012</th> <th style="text-align: right;">Half Year 2011*</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Statutory IFRS basis results</b></td> </tr> <tr> <td>Profit after tax attributable to equity holders of the Company .....</td> <td style="text-align: right;"><b>£952m</b></td> <td style="text-align: right;">£829m</td> </tr> <tr> <td>Basic earnings per share .....</td> <td style="text-align: right;"><b>37.5p</b></td> <td style="text-align: right;">32.7p</td> </tr> <tr> <td>Shareholders' equity, excluding non-controlling interests .....</td> <td style="text-align: right;"><b>£9.3bn</b></td> <td style="text-align: right;">£8.0bn</td> </tr> <tr> <td colspan="3"><b>Supplementary IFRS basis information</b></td> </tr> <tr> <td>Operating profit based on longer-term investment returns.....</td> <td style="text-align: right;"><b>£1,162m</b></td> <td style="text-align: right;">£1,028m</td> </tr> <tr> <td>Short-term fluctuations in investment returns on shareholder-backed business .....</td> <td style="text-align: right;"><b>£(32)m</b></td> <td style="text-align: right;">£93m</td> </tr> <tr> <td>Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes .....</td> <td style="text-align: right;"><b>£87m</b></td> <td style="text-align: right;">£(7)m</td> </tr> <tr> <td>Gain on dilution of Group's holdings .....</td> <td style="text-align: right;"><b>£42m</b></td> <td style="text-align: right;">—</td> </tr> <tr> <td>Profit before tax attributable to shareholders .....</td> <td style="text-align: right;"><b>£1,259m</b></td> <td style="text-align: right;">£1,114m</td> </tr> <tr> <td>Operating earnings per share (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests) .....</td> <td style="text-align: right;"><b>34.5p</b></td> <td style="text-align: right;">31.4p</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>Half Year 2012</b></td> <td style="text-align: right;"><b>Half Year 2011</b></td> </tr> <tr> <td>Dividends per share declared and paid in reporting period .....</td> <td style="text-align: right;"><b>17.24p</b></td> <td style="text-align: right;">17.24p</td> </tr> <tr> <td>Dividends per share relating to reporting period .....</td> <td style="text-align: right;"><b>8.40p</b></td> <td style="text-align: right;">7.95p</td> </tr> <tr> <td>Funds under management .....</td> <td style="text-align: right;"><b>£363bn</b></td> <td style="text-align: right;">£350bn</td> </tr> </tbody> </table> <p>* In 2012, the Group has adopted altered US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP. Accordingly, the Half Year 2011 comparative results have been adjusted from those previously published for the retrospective application of the improvement as if the new accounting policy had always applied.</p>		Half Year 2012	Half Year 2011*	<b>Statutory IFRS basis results</b>			Profit after tax attributable to equity holders of the Company .....	<b>£952m</b>	£829m	Basic earnings per share .....	<b>37.5p</b>	32.7p	Shareholders' equity, excluding non-controlling interests .....	<b>£9.3bn</b>	£8.0bn	<b>Supplementary IFRS basis information</b>			Operating profit based on longer-term investment returns.....	<b>£1,162m</b>	£1,028m	Short-term fluctuations in investment returns on shareholder-backed business .....	<b>£(32)m</b>	£93m	Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes .....	<b>£87m</b>	£(7)m	Gain on dilution of Group's holdings .....	<b>£42m</b>	—	Profit before tax attributable to shareholders .....	<b>£1,259m</b>	£1,114m	Operating earnings per share (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests) .....	<b>34.5p</b>	31.4p		<b>Half Year 2012</b>	<b>Half Year 2011</b>	Dividends per share declared and paid in reporting period .....	<b>17.24p</b>	17.24p	Dividends per share relating to reporting period .....	<b>8.40p</b>	7.95p	Funds under management .....	<b>£363bn</b>	£350bn
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<b>Audited Consolidated Financial Statements</b>		<b>Year Ended 31 December</b>	
		<b>2011**</b>	<b>2010**</b>
		<b>£ million</b>	
<b>Statutory IFRS basis results</b>			
Gross premiums earned .....	<b>25,706</b>	24,568	
Outward reinsurance premiums .....	<b>(429)</b>	(357)	
Earned premiums, net of reinsurance .....	<b>25,277</b>	24,211	
Investment return .....	<b>9,360</b>	21,769	
Other income .....	<b>1,869</b>	1,666	
Total revenue, net of reinsurance .....	<b>36,506</b>	47,646	
Profit before tax attributable to shareholders .....	<b>1,943</b>	1,461	
Tax charge attributable to shareholders' returns .....	<b>(449)</b>	(25)	
Profit for the year .....	<b>1,494</b>	1,436	
Less: attributable to non-controlling interests .....	<b>(4)</b>	(5)	
Profit after tax attributable to equity holders of the Issuer .....	<b>1,490</b>	1,431	
<b>Supplementary IFRS basis information</b>			
Operating profit based on longer-term investment returns:			
Asia operations .....	<b>784</b>	604	
US operations .....	<b>718</b>	855	
UK operations .....	<b>1,080</b>	1,003	
Other income and expenditure .....	<b>(483)</b>	(450)	
RPI to CPI inflation measure change on defined benefit pension schemes .....	<b>42</b>	-	
Solvency II implementation costs .....	<b>(55)</b>	(45)	
Restructuring costs .....	<b>(16)</b>	(26)	
Operating profit based on longer-term investment returns .....	<b>2,070</b>	1,941	
Short-term fluctuations in investment returns on shareholder-backed business .....	<b>(148)</b>	(123)	
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes .....	<b>21</b>	(10)	
Costs of terminated AIA transaction .....	<b>-</b>	(377)	
Gain on dilution of holding in PruHealth .....	<b>-</b>	30	
Profit before tax attributable to shareholders .....	<b>1,943</b>	1,461	
Operating earnings per share (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests)*** .....	<b>63.9p</b>	62.0p	

		<b>Year Ended 31 December</b>	
		<b>2011**</b>	<b>2010**</b>
		Basic earnings per share .....	58.8p 56.7p
		Shareholders' equity, excluding non-controlling interests .....	£9.1bn £8.0bn
		Dividends per share declared and paid in reporting period.....	25.19p 20.17p
		Dividends per share relating to reporting period .....	25.19p 23.85p
		Funds under management.....	£351bn £340bn
		<p>** The figures for the years end 31 December, 2011 and 2010 are as published in the 2011 Annual Report of the Issuer and have not been adjusted for the retrospective application of the altered US GAAP requirements for deferred acquisition costs adopted in 2012 as described above. On the retrospective application of this new accounting policy, for the year ended 31 December, 2011, the operating profit based on longer-term investment returns of the Group altered from £2,070 million to £2,027 million (2010: from £1,941 million to £1,826 million), profit before tax attributable to shareholders altered from £1,943 million to £1,828 million (2010: from £1,461 million to £1,271 million, and shareholders' equity at 31 December, 2011 altered from £9.1 billion to £8.6 billion (31 December, 2010: from £8.0 billion to £7.5 billion).</p> <p>*** The operating earnings per share for full year 2010 excluded an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities.</p> <p>The Issuer prepared the above accounts in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union (EU).</p> <p><i>Statements of no significant or material adverse change</i></p> <p>There has been no significant change in the financial or trading position of the Issuer and its subsidiaries as a whole since 30 June, 2012.</p> <p>There has been no material adverse change in the prospects of the Issuer and its subsidiaries as a whole since 31 December, 2011.</p>	
<b>B.13</b>	Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to an evaluation of the Issuer's solvency.	
<b>B.14</b>	Description of the Group and the Issuer's position within the Group plus dependence upon other Group entities	<p>See item B.5 for the Prudential Group and the Issuer's position within the Prudential Group. The Issuer is the holding company of all the companies in the Prudential Group.</p> <p>The Issuer's assets are substantially comprised of shares and loans in the Prudential Group companies. It does not conduct any other business and is accordingly dependent on the other members of the Prudential Group and revenues received from them.</p>	



<b>B.15</b>	Issuer's principal activities	<p>The Issuer is the holding company of all the companies in the Prudential Group and was incorporated on 1 November, 1978 under the laws of England and Wales and re-registered as a public company limited by shares on 20 January, 1982.</p> <p>The Prudential Group is an international financial services group, with significant operations in Asia, the United States and the United Kingdom. The Prudential Group is structured around four main business units, which are supported by central functions responsible for strategy, cash and capital management, leadership development and succession, reputation management and other core group functions.</p>
<b>B.16</b>	To the extent known to the Issuer, whether the Issuer is directly or indirectly owned or controlled and by whom and the nature of such control	Prudential plc is not aware of any person or persons who does or could, directly or indirectly, jointly or severally, exercise control over Prudential plc.
<b>B.17</b>	Credit ratings assigned to the Issuer or its debt securities at the request or with the cooperation of the Issuer in the rating process	<p>The Issuer has a short-term/long-term debt rating of P-1/A2 (stable outlook) by Moody's Investors Service Ltd ("Moody's"), A-1/A+ (negative outlook) by Standard &amp; Poor's Credit Market Services Europe Limited ("Standard &amp; Poor's") and F1/A (stable outlook) by Fitch Ratings Limited ("Fitch"). The Programme has been rated (P)A2 (Senior Notes), (P)A3 (Dated Tier 2 Notes), (P)A3 (Undated Tier 2 Notes) and (P)Baa1 (Tier 1 Notes) by Moody's; A+ (Senior Notes), A- (Dated Tier 2 Notes), A- (Undated Tier 2 Notes) and A- (Tier 1 Notes) by Standard &amp; Poor's, and A (Senior Notes) and BBB+ (subordinated debt) by Fitch.</p> <p>Each of Moody's, Standard &amp; Poor's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation").</p> <p>[The Notes [have been]/[are expected to be] rated [ ] by [ ]. 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.]</p>

<b>Section C – Securities</b>		
<b>Element</b>	<b>Title</b>	
<b>C.1</b>	Description of type and class of the Notes, including any ISIN	<p>The Notes described in this section are debt securities with a denomination of [less than]/[at least] €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes, Zero Coupon Notes or a combination of the foregoing.</p> <p>The Notes are [£/€/US\$/[ ] [ ] [ ] per cent/Floating Rate/Reset/Zero Coupon Notes due [ ].</p>

		International Securities Identification Number (ISIN): [ ]
<b>C.2</b>	Currency of the Notes	<p>The currency of each Series of Notes will be agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p>The currency of this Series of Notes is [Pounds Sterling ("£")/Euro ("€")/US dollars ("US\$")/ [ ] ([ )]].</p>
<b>C.5</b>	Restrictions on the free transferability of the Notes	There are no restrictions on the free transferability of the Notes.
<b>C.8</b>	Description of the rights attached to the Notes, including ranking and limitations to those rights	<p><b>Payments of interest and repayment of principal:</b></p> <p>Other than Zero Coupon Notes, all Notes confer on a holder thereof (a "Holder") the right to receive interest in respect of each period for which Notes remain outstanding. All Notes confer on a Holder the right to receive repayment of principal on redemption. See below under C.9 for further details.</p> <p><b>Limitation on Dividend and Capital Payments:</b></p> <p>[Not Applicable.]</p> <p>[The Issuer will undertake that, in the event that any interest is deferred on an Interest Payment Date or on any Interest Payment Date on which the Solvency Condition and/or the Solvency Capital Requirement is not met, it will not:</p> <p>(a) declare or pay a dividend or distribution on any Parity Securities or Junior Securities (other than in certain limited circumstances); or</p> <p>(b) redeem, purchase or otherwise acquire any Parity Securities or Junior Securities,</p> <p>in each case, unless or until all [[Arrears of Interest have][Deferred Interest has] been received by the Holders or the Trustee][the interest (but excluding Deferred Interest) otherwise due and payable on the Tier 1 Notes during the next 12 months is duly set aside and provided for].]</p> <p><b>Ranking:</b></p> <p>[The Senior Notes will constitute direct and, subject to the provisions of the paragraph entitled 'Negative pledge' below, unsecured obligations of the Issuer.]</p> <p>[The [Dated Tier 2][Undated Tier 2][Tier 1] Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> without preference among themselves. The rights of the Holders of the [Dated Tier 2][Undated Tier 2][Tier 1] 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 [Dated Tier 2][Undated Tier 2] Senior Creditors.</p>

		<p>For these purposes, [Dated Tier 2][Undated Tier 2] Senior Creditors means [any creditors of the Issuer who are unsubordinated creditors of the Issuer.][(a) any creditors of the Issuer who are unsubordinated creditors of the Issuer; and (b) creditors of the Issuer whose claims rank, or are expressed to rank, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital (which ranks junior to the Undated Tier 2 Notes) or whose claims rank, or are expressed to rank, <i>pari passu</i> with, or junior to, the claims of the Holders of the Undated Tier 2 Notes in respect of such Undated Tier 2 Notes).][(a) any creditors of the Issuer who are unsubordinated creditors; (b) any creditors having claims in respect of liabilities that rank, or are expressed to rank, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital or whose claims rank, or are expressed to rank <i>pari passu</i> with, or junior to, the claims of the Holders in respect of such Tier 1 Notes); (c) any creditor of the Issuer whose claims are in respect of the Issuer's outstanding debt securities which constitute Tier 2 Capital (and such other securities outstanding from time to time which rank <i>pari passu</i> with, or senior to, any such Tier 2 Capital); and (d) all other creditors having claims, including other such creditors holding subordinated debt securities, except those that rank, or are expressed to rank, equally with or junior to the claims of the Holders of Tier 1 Notes in respect of the Tier 1 Notes.]</p> <p><b>Negative pledge:</b></p> <p>[The Senior Notes contain a negative pledge which prohibits the Issuer and, so far as the Issuer can procure by the proper exercise of voting and other rights or powers of control exercisable by the Issuer in relation to Subsidiaries, the Principal Subsidiary from creating or permitting to subsist any mortgage or charge upon the whole or any part of its undertaking or assets (other than assets representing the fund or funds maintained by the Issuer or, as the case may be, the Principal Subsidiary in respect of long-term business (as defined in the Financial Services and Markets Act 2000)), present or future, to secure payment of any present or future indebtedness of the Issuer or any Subsidiary evidenced by notes, bonds, debentures, or other securities which are quoted or traded on any stock exchange or in any securities market, subject to certain specified exceptions or any guarantee or indemnity in respect thereof, without at the same time according to the Senior Notes (to the satisfaction of the Trustee) the same security as is created or subsisting to secure any such indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or as shall be approved by an Extraordinary Resolution of the Holders.]</p> <p>[The [Dated Tier 2][Undated Tier 2][Tier 1] Notes do not contain a negative pledge.]</p> <p><b>Taxation:</b></p> <p>Payments in respect of all Notes will be made without withholding or deduction of taxes of the United Kingdom, subject to customary exceptions.</p>
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**Events of Default and Default:**

[The terms of the Senior Notes contain the following events of default:

- (a) default in payment of any principal or interest due in respect of the Senior Notes, continuing for a specified period of time;
- (b) default in the performance or observance of any obligation, condition or provision binding on the Issuer (other than payment of principal or interest) where such default continues for a specified period of time and has not been remedied by the Issuer (if capable of being so remedied);
- (c) events relating to (i) the winding-up and administration, (ii) the cessation of payments to creditors generally and of business, (iii) the taking of enforcement action by creditors or (iv) the insolvency of the Issuer or the Principal Subsidiary;
- (d) certain types of indebtedness (subject to an aggregate threshold of £30,000,000 (or its equivalent in any other currency or currencies)) of the Issuer or the Principal Subsidiary is not paid on its due date as extended by any applicable grace period and following a demand therefore or is declared to be or automatically becomes due and payable prior to its stated maturity by reason of default or if any guarantee or indemnity in respect of such indebtedness of any third party given by the Issuer or the Principal Subsidiary (having an outstanding aggregate principal amount as aforesaid) is not honoured when due and called upon and, in any case, the liability of the Issuer or the Principal Subsidiary to make payment is not being contested in good faith; or
- (e) the Principal Subsidiary ceases to be a Subsidiary of the Issuer (except in certain limited circumstances),

each, an “event of default” and as more fully described in the Conditions. Upon the occurrence of an event of default which is continuing, the Trustee at its discretion may, and if so requested by Holders of at least one quarter in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution (but, in the case of the happening of any of the events described above at sub-paragraphs (b), (c)(iii), (c)(iv) or (d) relating to the Issuer and any of the events described above at sub-paragraphs (b), (c)(i)-(iv), (d) or (e) relating to the Principal Subsidiary, only if the Trustee has certified in writing that such events is materially prejudicial to the interests of Holders) declare the Senior Notes to be due and repayable at their Early Redemption Amount (as specified in the applicable Final Terms relating to each Series).]

[The sole remedy against the Issuer available to the Trustee on behalf of the Holders of the [Dated Tier 2][Undated Tier 2][Tier 1] Notes or, where the Trustee has failed to proceed against the Issuer as provided in the Conditions, any Holders of the [Dated Tier 2][Undated Tier 2][Tier 1] Notes for recovery of amounts owing in respect of the [Dated Tier 2][Undated Tier 2][Tier 1] Notes will be in the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and/or claiming in the liquidation of the Issuer for

		<p>such amounts.]</p> <p><b>Meetings:</b></p> <p>The terms of the Notes contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p>
<p><b>C.9</b></p>	<p>Description of the rights attached to the Notes, including nominal interest rate, the date from which interest becomes payable and interest payment dates, description of the underlying (where the rate is not fixed), maturity date, repayment provisions, indication of yield and name of the representative of the holders</p>	<p><b>Interest periods and Rates of Interest:</b></p> <p>Other than Zero Coupon Notes, 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. Other than Zero Coupon Notes, Notes may have a Maximum Rate of Interest, a Minimum Rate of Interest or both.</p> <p><b>Interest:</b></p> <p>Notes may or may not bear interest. Interest-bearing 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.</p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes bear interest [from their date of issue] at the fixed rate of [ ] per cent per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]] in each [year][month].</p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes bear interest [from their date of issue] at [a] floating rate[s] calculated by reference to [ ]-month [LIBOR/EURIBOR/SIBOR/TIBOR/HIBOR/EONIA/SONIA/Federal Funds Rate/Bank of England Base Rate/CMS] [plus/minus] [ ] per cent per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]] in each [year][month].]</p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes bear interest (a) [from their date of issue] to the first Reset Date occurring thereafter at an initial fixed rate of [ ] per cent per annum; and (b) in respect of each successive [ ]-year period thereafter, at a rate per annum equal to the sum of [ ] and a margin of [ ] per cent, in each case, payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] [and [ ]] in each [year][month].]</p> <p>[The Senior Notes do not bear interest.]</p> <p>[Payments of interest under the [Dated Tier 2][Undated Tier 2][Tier 1] Notes are conditional on the Issuer satisfying the Solvency Condition and the Solvency Capital Requirement at the time of payment and immediately thereafter. In addition, the Issuer may, at its election, defer any payment of interest on any Interest Payment Date [where it determines (by reference to the Issuer's then current financial condition) at its sole discretion that (i) the Capital Adequacy Condition will not be met on such date or (ii) it is required under the terms of any Parity Security not to pay the relevant interest</p>

	<p>payment]. Any payments of interest not made will constitute [Arrears of Interest][Deferred Interest].]</p> <p>[At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Arrears of Interest may be settled by the Issuer at any time and shall otherwise become payable on redemption of the [Dated Tier 2][Undated Tier 2] Notes or on purchase of the [Dated Tier 2][Undated Tier 2] Notes by or on behalf of the Issuer or upon commencement of the winding-up of the Issuer.]</p> <p>[At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Deferred Interest may be settled by the Issuer at any time and shall otherwise become payable on redemption of the [Dated Tier 2][Undated Tier 2] Notes or on purchase of the [Dated Tier 2][Undated Tier 2] Notes by or on behalf of the Issuer or upon commencement of the winding-up of the Issuer. The Issuer may satisfy its obligation to pay Deferred Interest in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the [Dated Tier 2][Undated Tier 2] Notes.]</p> <p>[Deferred Interest will only become payable on the redemption of the Tier 1 Notes or purchase of the Tier 1 Notes by or on behalf of the Issuer or upon commencement of the winding-up of the Issuer. The Issuer will satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Tier 1 Notes.]</p> <p><b>Redemption:</b></p> <p>The terms under which Notes may be redeemed (including, in the case of Senior Notes or 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) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p>[The [Undated Tier 2][Tier 1] Notes are perpetual securities in respect of which there is no maturity date.]</p> <p>[Subject to any early redemption, substitution, variation, purchase and cancellation or exchange, the [Senior][Dated Tier 2] Notes will be redeemed on [ ] at [ ] per cent of their nominal amount].</p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes may, at the Issuer's election, be redeemed early on [ ] at [ ] per cent of their nominal amount.]</p> <p>[The [Senior] Notes may, at the Holder's election, be redeemed early on [ ] at [ ] per cent of their nominal amount.]</p>
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	<p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes may, at the Issuer's election, be redeemed early at [ ] per cent of their nominal amount for tax reasons.]</p> <p>[The Tier 1 Notes may, at the Issuer's election, be converted into another series of notes constituting Qualifying Tier 1 Capital for tax reasons.]</p> <p>[The [Dated Tier 2][Undated Tier 2][Tier 1] Notes may, at the Issuer's election, be redeemed early at [ ] per cent of their nominal amount [and the Notes may, at the Issuer's election, be substituted for, or varied so that they are treated as, Qualifying Tier [2][1] Capital for regulatory reasons.]</p> <p>[The Tier 1 Notes must be redeemed early by the Issuer at [ ] per cent of their nominal amount following a Solvency II Regulatory Event. The Issuer must satisfy its obligation to so redeem the Tier 1 Notes out of the proceeds of the issuance of instruments which are Tier 2 Own Funds or Tier 1 Own Funds.]</p> <p>[The Exchangeable Tier 1 Notes may, at the Issuer's election, be exchanged at any time for Preference Shares of the Issuer credited as fully paid (having certain specific terms).]</p> <p>[The Issuer and its Subsidiaries may at any time purchase [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes at any price in the open market or otherwise.]</p> <p>[Except as otherwise indicated to the Issuer by the FSA, any redemption, variation, substitution, conversion or purchase is subject to the Issuer having given prior notice to the FSA and, to the extent required by the regulations applicable to the Issuer, the FSA having given its prior approval or consented in the form of a waiver or otherwise to such redemption, variation, substitution, conversion or purchase.]</p> <p>[Any redemption may only be effected if on, and immediately following, the proposed Redemption Date, the Issuer is in compliance with the Regulatory Capital Requirement and the Solvency Condition and the Solvency Capital Requirement is met or, in each case, as otherwise permitted by the FSA. The FSA may impose other conditions on any redemption or purchase at the relevant time.]</p> <p><b>Representative of holders:</b></p> <p>The Law Debenture Trust Corporation p.l.c. (the "Trustee") will act as trustee for the holders of Notes.</p> <p><b>Indication of yield:</b></p> <p>[Indication of yield: [ ] per cent per annum / Not Applicable]</p>
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<p><b>C.10</b></p>	<p>If the Note has a derivative component in the interest payment, a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.</p>	<p>[Not Applicable. Payments of interest on the Notes shall not involve any derivative component.]</p>
<p><b>C.11</b></p>	<p>An indication as to whether the Notes will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with an indication of the markets in question</p>	<p><b>Listing:</b></p> <p>Each Series may be admitted to the Official List of the UK Listing Authority (the “UKLA”) and admitted to trading on the London Stock Exchange’s Regulated Market or may be issued on the basis that they will not be admitted to listing and/or trading by any listing authority and/or stock exchange.</p> <p>[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market with effect from [     ].]</p> <p>[The Notes will not be listed and/or admitted to trading by any listing authority and/or stock exchange.]</p> <p><b>Distribution:</b></p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes may be offered to the public in the United Kingdom [and [     ]].]</p> <p>[The [Senior][Dated Tier 2][Undated Tier 2][Tier 1] Notes are not being offered to the public in any Member State.]</p>
<p><b>C.21</b></p>	<p>Indication of the market where the Notes will be traded and for which the Prospectus has been published</p>	<p>Each Series may be admitted to the Official List of the UK Listing Authority (the “UKLA”) and admitted to trading on the London Stock Exchange’s Regulated Market or may be issued on the basis that they will not be admitted to listing and/or trading by any listing authority and/or stock exchange.</p> <p>[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market with effect from [     ].]</p> <p>[The Notes will not be listed and/or admitted to trading by any listing authority and/or stock exchange.]</p>



## Section D – Risks

Element	Title	
<b>D.2</b>	Key information on the key risks that are specific to the Issuer or its industry	<ul style="list-style-type: none"> <li>• The Issuer’s businesses are inherently subject to market fluctuations and general economic conditions. Uncertainty or negative trends in international economic and investment climates could adversely affect the Issuer’s business and profitability. In particular, the adverse effect of such factors would be felt in the future principally through: (a) investment impairments or reduced investment returns impairing the Issuer’s ability to write significant volumes of new business and having a negative impact on its assets under management and profit; (b) higher credit defaults and wider credit and liquidity spreads resulting in realised and unrealised credit losses; (c) the failure of counterparties to discharge obligations or where adequate collateral is not in place; and (d) difficulties experienced in estimating the value of financial instruments due to illiquid or closed markets.</li>   <li>• The Issuer is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations (principally for the UK, other European, US and Asian countries) held in its investment portfolio. If a sovereign were to default on its obligations, this could have a material adverse effect on the Issuer’s financial condition and results of operations.</li>   <li>• The Issuer is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its business. The Issuer’s operations in the US and Asia, which represent a significant proportion of operating profit based on longer-term investment returns and shareholders’ funds, generally write policies and invest in assets denominated in local currency. The impact of gains or losses on currency translations is accounted for in the Group’s consolidated financial statements as a component of shareholders’ funds within other comprehensive income and, consequently, could impact on the Issuer’s gearing ratios.</li>   <li>• The Issuer conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations and any accounting standards in the markets in which it operates. Changes in government policy, legislation (including tax) 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 apply retrospectively, may adversely affect the Issuer’s product range, distribution channels, profitability, capital requirements and, consequently, reported results and financing requirements. Also, regulators in jurisdictions in which the Issuer operates may change the level of capital required to be held by individual businesses or could introduce possible changes in the regulatory framework for pension arrangements and policies, the regulation of selling practices and solvency requirements. Furthermore, as a result of the recent interventions by governments in response to global economic conditions, it is widely expected that there will be a substantial increase in governmental regulation and supervision of the financial services</li> </ul>

		<p>industry, including the possibility of higher capital requirements, restrictions on certain types of transaction structure and enhanced supervisory powers.</p> <ul style="list-style-type: none"> <li>• The Issuer's businesses are conducted in highly competitive environments with developing demographic trends and continued profitability depends on management's ability to respond to these pressures and trends. The markets for financial services in the UK, US and Asia and highly competitive. In some markets, the Issuer faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios. Further, heightened competition for talented and skilled employees and agents with local experience, particularly in Asia, may limit the Issuer's potential to grow its business as quickly as planned.</li> <li>• Downgrades in the Issuer's financial strength and credit ratings could significant impact its competitive position and hurt its relationships with creditors and trading counterparties. Such ratings, which are used by the market to measure the Group's ability to meet policyholder obligations, are an important factor affecting public confidence in some of the Group's products and, as a result, its competitiveness. Downgrades in the Issuer's ratings could have an adverse effect on the Group's ability to market products or retain current policyholders or on the Group's financial flexibility. In addition, the interest rates the Issuer pays on its borrowings are affected by its credit ratings.</li> <li>• Adverse experience against the assumptions used in pricing products and reporting business results could significantly affect the Issuer's results of operations. The Issuer needs to make assumptions about a number of factors in determining the pricing of its products and setting reserves and for reporting its capital levels and the results of its long-term business operations. In common with other industry participants, the profitability of the Group's businesses depends on a mix of factors, including mortality and morbidity trends, policy surrender rates, investment performance and impairments, unit cost of administration and new business acquisition expense. If actual levels prove to be different to assumed levels, the Group's results of operations could be adversely affected.</li> </ul>
<p><b>D.3</b></p>	<p>Key information on the key risks that are specific to the Notes</p>	<ul style="list-style-type: none"> <li>• [An optional redemption feature is likely to limit the secondary market value of the Notes such that the secondary market value of such Notes will not rise substantially above the price at which they can be redeemed.]</li> <li>• [The Issuer's ability to convert the interest rate on Notes from a fixed rate to a floating rate (or vice versa) will affect the secondary market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing and to a rate which is lower than other comparable fixed or floating rate notes (as applicable).]</li> </ul>

		<ul style="list-style-type: none"> <li>• [The secondary market value of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Notes.]</li> <li>• [There may be no or only a limited secondary market in the Notes. Therefore, Holders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market.]</li> <li>• [Holders may not receive the full amount of payments due in respect of the Notes should the Issuer be required to hold or deduct amounts at source on account of tax from such payments in order to comply with applicable law.]</li> <li>• [The Issuer's obligations under [Dated Tier 2][Undated Tier 2][Tier 1] Notes are subordinated and will rank junior in priority to the claims of [Dated Tier 2][Undated Tier 2] Senior Creditors. Although [Dated Tier 2][Undated Tier 2][Tier 1] Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that a Holder of a [Dated Tier 2][Undated Tier 2][Tier 1] Note will lose some or all of their investment should the Issuer become insolvent.]</li> <li>• [Payments of interest on the [Dated Tier 2][Undated Tier 2][Tier 1] Notes are conditional on the Issuer satisfying the Solvency Condition and the Solvency Capital Requirement at the time of payment and immediately afterwards. In addition, the Issuer may elect to defer payment of interest on any Interest Payment Date [where it determines (by reference to the Issuer's then current financial condition) at its sole discretion that (i) the Capital Adequacy Condition will not be met on such date or (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment].]</li> <li>• [Any interest not paid on an Interest Payment Date shall constitute [Arrears of Interest][Deferred Interest]. [At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Arrears of Interest may be settled by the Issuer at any time and shall otherwise become payable on redemption of the [Dated Tier 2][Undated Tier 2] Notes or on purchase of the [Dated Tier 2][Undated Tier 2] Notes by or on behalf of the Issuer or upon commencement of the winding-up of the Issuer.][At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Deferred Interest may be settled by the Issuer at any time and shall otherwise become payable on redemption of the [Dated Tier 2][Undated Tier 2] Notes or on purchase of the [Dated Tier 2][Undated Tier 2] Notes by or on behalf of the Issuer or upon commencement of the winding-up of the Issuer. The Issuer may satisfy its obligation to pay Deferred Interest in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking</li> </ul>
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		<p>nominal amount, as specified in the applicable Final Terms.]</p> <ul style="list-style-type: none"> <li>• [The Tier 1 Notes may, at the Issuer's election, be converted into another series of notes constituting Qualifying Tier 1 Capital for tax reasons, as specified in the applicable Final Terms.]</li> <li>• [The [Dated Tier 2][Undated Tier 2][Tier 1] Notes may, at the Issuer's election, be redeemed early at [ ] per cent of their nominal amount [and the Notes may, at the Issuer's election, be substituted for, or varied so that they are treated as, Qualifying Tier [2][1] Capital for regulatory reasons], each as specified in the applicable Final Terms.]</li> <li>• [The Tier 1 Notes must be redeemed early by the Issuer at [ ] per cent of their nominal amount following a Solvency II Regulatory Event.]</li> <li>• [The Exchangeable Tier 1 Notes may, at the Issuer's election, be exchanged at any time for Preference Shares of the Issuer credited as fully paid (having certain specific terms). Exchangeable Notes and Preference Shares differ in certain material respects, including, without limitation, that Exchangeable Notes and Preference Shares may not rank <i>pari passu</i> as to payment; the holders of Preference Shares do not benefit from any gross-up obligation on payment of dividends; dividends on Preference Shares are fully discretionary; and Preference Shares may only be redeemed from profits available for distribution or the proceeds of a new issue of equity securities.]</li> </ul>
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Section E – Offer		
Element	Title	
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	<p>The net proceeds from each issue of Notes may be applied by the Issuer for its general corporate purposes, which include making a profit, or may be applied for particular uses, as determined by the Issuer.</p> <p>[The net proceeds from the issue of the Notes will be applied by the Issuer [for its general corporate purposes, which include making a profit] [[and] [ ]].]</p>
E.3	A description of the terms and conditions of the offer	<p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealer(s) at the time of issue.</p> <p>[Not Applicable. The Notes are in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[Not Applicable. The Notes are in denominations of less than €100,000 (or its equivalent in any other currency) but will be offered pursuant to one or more exemptions from the obligation under the Prospectus Directive to publish a prospectus. There will be no Public Offer of the Notes.]</p>

		<p>[An Investor intending to acquire or acquiring any Notes from an Offeror other than the Issuer will do so, and offers and sales of Notes to an Investor by such Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p>Offer Period: [The period from [ ] until [ ]/[the Issue Date]]/[the date which falls [ ] Business Days thereafter]]</p> <p>Offer Price: [Issue Price]/[Not Applicable]/[ ]</p> <p>Conditions to which the offer is subject: [Not Applicable]/[ ]</p> <p>Description of the application process: [Not Applicable]/[ ]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable]/[ ]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable]/[ ]</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Not Applicable]/[ ]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable]/[ ]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable]/[ ]</p> <p>If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche: [Not Applicable]/[ ]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable]/[ ]</p>
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		<p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable]/[ ]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None]/[ ]</p>
<b>E.4</b>	A description of any interest that is material to the issue/offer including conflicting interests	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme.</p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [ ] per cent of the nominal amount of the Notes.] [Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]</p>
<b>E.7</b>	Estimated expenses charged to the investor by the Issuer or the Offeror	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other Offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent and 7 per cent of the nominal amount of the Notes to be purchased by the relevant investor.</p> <p>[Not Applicable. No expenses are being charged to investors by the Issuer or, as far as the Issuer is aware, by any Offeror.]</p> <p>[No expenses are being charged to investors by the Issuer. However, expenses may be charged by an Offeror in the range of between [ ] per cent and [ ] per cent of the nominal amount of the Notes to be purchased by the relevant investor.]</p> <p>[The following expenses are being charged to investors by the Issuer: [ ].]</p>

## RISK FACTORS

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*The Issuer believes that the following factors 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 and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

*Prospective investors should note that the risks relating to the Issuer and the Notes summarised in the section of this Prospectus headed "Summary of the Programme" are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary of the Programme" but also, among other things, the risks and uncertainties described below.*

### **Risks relating to the Issuer's business**

#### ***The Issuer's businesses are inherently subject to market fluctuations and general economic conditions***

The Issuer's businesses are inherently subject to market fluctuations and general economic conditions. Uncertainty or negative trends in international economic and investment climates could adversely affect the Issuer's business and profitability.

Since 2008, the Issuer has had to operate against a challenging background of periods of unprecedented volatility in global capital and equity markets, interest rates and liquidity, and widespread economic uncertainty. Government interest rates have also fallen to historic lows in the US, UK and some Asian countries in which the Issuer operates. These factors have, at times during this period, had a material adverse effect on the Issuer's business and profitability.

In the future the adverse effects of such factors would be felt principally through the following items:

- investment impairments or reduced investment returns, which could impair the Issuer's ability to write significant volumes of new business and would have a negative impact on its assets under management and profit;
- higher credit defaults and wider credit and liquidity spreads resulting in realised and unrealised credit losses;
- the Issuer in the normal course of business enters into a variety of transactions with counterparties, including derivative transactions. Failure of any of these counterparties to discharge their obligations, or where adequate collateral is not in place, could have an adverse impact on the Issuer's results; and



- estimates of the value of financial instruments being difficult because in certain illiquid or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain value and estimates of value require substantial elements of judgment, assumptions and estimates (which may change over time). Increased illiquidity also adds to uncertainty over the accessibility of financial resources and may reduce capital resources as valuations decline.

Global financial markets have experienced, and continue to experience, significant volatility brought on, in particular, by concerns over European and US sovereign debt, as well as concerns about a general slowing of global demand reflecting an increasing lack of confidence among consumers, companies and governments. Upheavals in the financial markets may affect general levels of economic activity, employment and customer behaviour. For example, insurers may experience an elevated incidence of claims, lapses, or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums. The demand for insurance products may also be adversely affected. If sustained, this environment is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on the Issuer's business and profitability. New challenges related to market fluctuations and general economic conditions may continue to emerge.

For some non-unit-linked investment products, in particular those written in some of the Group's Asian operations, it may not be possible to hold assets which will provide cash flows to match exactly those relating to policyholder liabilities. This is particularly true in those countries where bond markets are not developed and in certain markets where regulated surrender values are set with reference to the interest rate environment prevailing at the time of policy issue. This results in a mismatch due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. While this residual asset/liability mismatch risk can be managed, it cannot be eliminated. Where interest rates in these markets remain lower than interest rates used to calculate surrender values over a sustained period, this could have an adverse impact on the Issuer's reported profit.

In the US, fluctuations in prevailing interest rates can affect results from Jackson National Life Insurance Company ("Jackson") which has a significant spread-based business, with the majority of its assets invested in fixed income securities. In particular, fixed annuities and stable value products written by Jackson expose the Issuer to the risk that changes in interest rates, which are not fully reflected in the interest rates credited to customers, will reduce spread. The spread is the difference between the rate of return Jackson is able to earn on the assets backing the policyholders' liabilities and the amounts that are credited to policyholders in the form of benefit increases, subject to minimum crediting rates. Declines in spread from these products or other spread businesses that Jackson conducts could have a material impact on its businesses or results of operations. Jackson also writes a significant amount of variable annuities that offer capital or income protection guarantees. There could be market circumstances where the derivatives that it enters into to hedge its market risks may not fully offset its losses, and any cost of the guarantees that remain unhedged will also affect the Issuer's results.

A significant part of the profit from the Issuer's UK insurance operations is related to bonuses for policyholders declared on with-profits products, which are broadly based on historical and current rates of return on equity, real estate and fixed income securities, as well as the Issuer's expectations of future investment returns. This profit could be lower in a sustained low interest rate environment.

***The Issuer is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in its investment portfolio***

The Issuer is subject to the risk of potential sovereign debt credit deterioration on the amounts of sovereign debt obligations, principally for the UK, other European, US and Asian countries held in its investment portfolio. During 2011 and 2012, the risk of rating agency downgrades has heightened, particularly in relation to the sovereign debt of some European countries and the US. In addition, for some European countries the

risk of default has also increased. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of states or monarchs) in the countries in which the issuers are located and the creditworthiness of the sovereign. Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and the Issuer may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, and the political constraints to which the sovereign debtor may be subject. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. If a sovereign were to default on its obligations, this could have a material adverse effect on the Issuer's financial condition and results of operations.

***The Issuer is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses***

Due to their geographical diversity, the Issuer's businesses are subject to the risk of exchange rate fluctuations. The Issuer's operations in the US and Asia, which represent a significant proportion of operating profit based on longer-term investment returns and shareholders' funds, generally write policies and invest in assets denominated in local currency. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to significant fluctuations in the Issuer's consolidated financial statements upon translation of results into pounds sterling. The currency exposure relating to the translation of reported earnings is not currently separately managed. The impact of gains or losses on currency translations is recorded as a component of shareholders' funds within other comprehensive income. Consequently, this could impact on the Issuer's gearing ratios (defined as debt over debt plus shareholders' funds).

***The Issuer conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations and any accounting standards in the markets in which it operates***

Changes in government policy, legislation (including tax) or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Issuer operates, which in some circumstances may be applied retrospectively, may adversely affect the Issuer's product range, distribution channels, profitability, capital requirements and, consequently, reported results and financing requirements. Also, regulators in jurisdictions in which the Issuer operates may change the level of capital required to be held by individual businesses or could introduce possible changes in the regulatory framework for pension arrangements and policies, the regulation of selling practices and solvency requirements. Furthermore, as a result of the recent interventions by governments in response to global economic conditions, it is widely expected that there will be a substantial increase in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transaction structure, and enhanced supervisory powers.

Current EU directives, including the EU Insurance Groups Directive ("IGD"), require European financial services groups to demonstrate net aggregate surplus capital in excess of solvency requirements at the group level in respect of shareholder-owned entities. The test is a continuous requirement, so that the Issuer needs to maintain a somewhat higher amount of regulatory capital at the group level than otherwise necessary in respect of some of its individual businesses to accommodate, for example, short-term movements in global foreign exchange rates, interest rates, deterioration in credit quality and equity markets. The EU is also developing a new regulatory framework for insurance companies, referred to as Solvency II. The new approach is based on the concept of three pillars. Pillar I consists of the quantitative requirements,

for example, the amount of capital an insurer should hold. Pillar II sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers. Pillar III focuses on disclosure and transparency requirements.

The Directive covers valuations, the treatment of insurance groups, the definition of capital and the overall level of capital requirements. A key aspect of Solvency II is that the assessment of risks and capital requirements are intended to be aligned more closely with economic capital methodologies, and may allow the Issuer to make use of its internal economic capital models, if approved by the FSA or other relevant supervisory authority. The Solvency II Directive was formally approved by the Economic and Financial Affairs Council in November 2009. Representatives from the European Parliament, the European Commission and the Council of the European Union are currently discussing the Omnibus II Directive which, once approved, will amend certain aspects of the original Solvency II Directive. In addition, the European Commission is continuing to develop the detailed rules that will complement the high-level principles of the Directive, referred to as “implementing measures”. The Omnibus II Directive is not currently scheduled to be finalised until 2013, while the implementing measures cannot be finalised until after Omnibus II. There is a significant uncertainty regarding the final outcome of this process. In particular, the Solvency II rules relating to the determination of the liability discount rate and to the treatment of the US business remain unclear. As a result there is a risk that the effect of the measures finally adopted could be adverse for the Issuer, including potentially a significant increase in capital required to support its business and that Prudential may be placed at a competitive disadvantage to other European and non-European financial services groups.

Various jurisdictions in which the Issuer operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise where the Issuer, along with other companies, may be required to make such contributions.

The Group’s accounts are prepared in accordance with current International Financial Reporting Standards (“IFRS”) applicable to the insurance industry. The International Accounting Standards Board (“IASB”) introduced a framework that it described as Phase I, which permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. In July 2010, the IASB published an Exposure Draft for its Phase II on insurance accounting, which would introduce significant changes to the statutory reporting of insurance entities that prepare accounts according to IFRS. The IASB continues its deliberation on the exposure draft principles but it remains uncertain whether the proposals in the exposure draft will become the final IASB standard and when changes might take effect.

Any changes or modification of IFRS accounting policies may require a change in the future results or a restatement of reported results.

European Embedded Value (“EEV”) basis results are published as supplementary information by the Issuer using principles issued by the European CFO (Chief Financial Officers) Forum. The EEV basis is a value-based reporting method for the Issuer’s long-term business which is used by market analysts and which underpins a significant part of the key performance indicators used by the Issuer’s management for both internal and external reporting purposes.

***The resolution of several issues affecting the financial services industry could have a negative impact on the Issuer’s reported results or on its relations with current and potential customers***

The Issuer is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the UK and internationally. These actions could involve a review of business sold in the past under acceptable market practices at the time, such as the requirement in the UK to provide redress to certain past purchasers of pension and mortgage endowment policies, changes to the tax regime affecting

products and regulatory reviews on products sold and industry practices, including, in the latter case, businesses it has closed.

Regulators are increasingly interested in the approach that product providers use to select third party distributors and to monitor the appropriateness of sales made by them. In some cases, product providers can be held responsible for the deficiencies of third-party distributors.

In the US, federal and state regulators have focused on, and continue to devote substantial attention to, the mutual fund, fixed index annuity and insurance product industries. This focus includes new regulations in respect of the suitability of sales of certain products. As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous regulatory inquiries and proposals for legislative and regulatory reforms.

In Asia, regulatory regimes are developing at different speeds, driven by a combination of global factors and local considerations. There is a risk that new requirements are introduced that challenge current practices, or are retrospectively applied to sales made prior to their introduction.

***Litigation, disputes and regulatory investigations may adversely affect the Issuer's profitability and financial condition***

The Issuer is, and may be in the future, subject to legal actions, disputes and regulatory investigations in the ordinary course of its insurance, investment management and other business operations. These legal actions, disputes and investigations may relate to aspects of the Issuer's businesses and operations that are specific to the Issuer, or that are common to companies that operate in the Issuer's markets. Legal actions and disputes may arise under contracts, regulations (including tax) or from a course of conduct taken by the Issuer, and may be class actions. Although the Issuer believes that it has adequately provided in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could, from time to time, have an adverse effect on the Issuer's results of operations or cash flows.

***The Issuer's businesses are conducted in highly competitive environments with developing demographic trends and continued profitability depends on management's ability to respond to these pressures and trends***

The markets for financial services in the UK, US and Asia are highly competitive, with several factors affecting the Issuer's ability to sell its products and continued profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance, historical bonus levels, developing demographic trends and customer appetite for certain savings products. In some of its markets, the Issuer faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios. Further, heightened competition for talented and skilled employees and agents with local experience, particularly in Asia, may limit the Issuer's potential to grow its business as quickly as planned.

In Asia, the Group's principal regional competitors are international financial companies, including Allianz, AXA, ING, AIA and Manulife. In a number of markets, local companies have a very significant market presence.

Within the UK, the Issuer's principal competitors in the life market include many of the major retail financial services companies including, in particular, Aviva, Legal & General, Lloyds Banking Group and Standard Life.

Jackson's competitors in the US include major stock and mutual insurance companies, mutual fund organisations, banks and other financial services companies such as AIG, AXA Financial Inc., Hartford Life Inc., Prudential Financial, Lincoln National, MetLife and TIAA-CREF.

The Issuer believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors. The Issuer's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

***Downgrades in the Issuer's financial strength and credit ratings could significantly impact its competitive position and hurt its relationships with creditors or trading counterparties***

The Issuer's financial strength and credit ratings (set out on the front cover and page 9 of this Prospectus), which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in most of the Issuer's products, and as a result its competitiveness. Downgrades in the Issuer's ratings, as a result of, for example, decreased profitability, increased costs, increased indebtedness or other concerns, could have an adverse effect on its ability to market products; retain current policyholders; and on the Group's financial flexibility. In addition, the interest rates the Issuer pays on its borrowings are affected by its debt credit ratings, which are in place to measure the Group's ability to meet its contractual obligations.

In addition, changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or the Issuer's financial condition.

***Adverse experience in the operational risks inherent in the Issuer's business could have a negative impact on its results of operations***

Operational risks are present in all of the Issuer's businesses, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. The Issuer's business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. In addition, the Issuer outsources several operations, including a significant part of its UK back office and customer-facing functions as well as a number of IT functions, resulting in reliance upon the operational processing performance of its outsourcing partners.

Further, because of the long-term nature of much of the Group's business, accurate records have to be maintained for significant periods. The Issuer's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities. For example, any weakness in the administration systems or actuarial reserving processes could have an impact on its results of operations during the effective period. The Issuer has not identified or experienced any operational risk in its systems or processes during the first half of 2012 which have subsequently caused, or are expected to cause, a significant negative impact on its results of operations.

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

***Adverse experience against the assumptions used in pricing products and reporting business results could significantly affect the Issuer's results of operations***

The Issuer needs to make assumptions about a number of factors in determining the pricing of its products and setting reserves and for reporting its capital levels and the results of its long-term business operations. For example, the assumption that the Issuer makes about future expected levels of mortality is particularly

relevant for its UK annuity business. In exchange for a premium equal to the capital value of their accumulated pension fund, pension annuity policyholders receive a guaranteed payment, usually monthly, for as long as they are alive. The Issuer conducts rigorous research into longevity risk, using data from its substantial annuitant portfolio. As part of its pension annuity pricing and reserving policy, the Issuer's UK business assumes that current rates of mortality continuously improve over time at levels based on adjusted data from the Continuous Mortality Investigations (CMI) as published by the Institute and Faculty of Actuaries. If mortality improvement rates significantly exceed the improvement assumed, the Issuer's results of operations could be adversely affected.

A further example is the assumption that the Issuer makes about future expected levels of the rates of early termination of products by its customers (persistence). This is particularly relevant to its lines of business other than its UK annuity business. The Issuer's persistence assumptions reflect recent past experience for each relevant line of business. Any expected deterioration in future persistence is also reflected in the assumption. If actual levels of future persistence are significantly lower than assumed (that is, policy termination rates are significantly higher than assumed), the Group's results of operations could be adversely affected.

Another example is the impact of epidemics and other effects that cause a large number of deaths. Significant influenza epidemics have occurred three times in the last century, but the likelihood, timing, or the severity of future epidemics cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of any epidemics could have a material impact on the Group's loss experience.

In common with other industry participants, the profitability of the Group's businesses depends on a mix of factors including mortality and morbidity trends, policy surrender rates, investment performance and impairments, unit cost of administration and new business acquisition expense.

***As a holding company, the Issuer is dependent upon its subsidiaries to cover operating expenses and dividend payments***

The Group's insurance and investment management operations are generally conducted through direct and indirect subsidiaries.

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

***The Issuer operates in a number of markets through joint ventures and other arrangements with third parties (including in China and India), involving certain risks that the Issuer does not face with respect to its consolidated subsidiaries***

The Issuer operates, and in certain markets is required by local regulation to operate, through joint ventures (including in China and India). For the Group's joint venture operations, management control is exercised jointly with the venture participants. The level of control exercisable by the Group depends on the terms of the joint venture agreements, in particular, the allocation of control among, and continued co-operation between, the joint venture participants. The Issuer may also face financial or other exposure in the event that any of its joint venture partners fails to meet its obligations under the joint venture or encounters financial difficulty. In addition, a significant proportion of the Group's product distribution is carried out through arrangements with third parties not controlled by the Issuer and is dependent upon continuation of these

relationships. A temporary or permanent disruption to these distribution arrangements could adversely affect the results of operations of the Issuer.

### ***Changes in tax legislation may result in adverse tax consequences***

Tax rules, including those relating to the insurance industry, and their interpretation, may change, possibly with retrospective effect, in any of the jurisdictions in which the Issuer operates. Significant tax disputes with tax authorities, and any change in the tax status of any member of the Group or in taxation legislation or its scope or interpretation could affect the Issuer's financial condition and results of operations.

## **Risks Relating to the Notes**

### ***Risks related to the structure of a particular issue of Notes***

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

*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 redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Alternatively, Notes may be issued with no maturity date and the Issuer is under no obligation to redeem such Notes and the holders of such Notes have no right to call for their redemption (save as permitted pursuant to the relevant Final Terms).

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

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

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

Reset Notes will initially earn interest at the Initial Rate of Interest until (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date). On the first Reset Date, however, and on each subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable

Subsequent Reset Reference Rate and the applicable Reset Margin as determined by the Issue and Paying 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 and could affect the market value of an investment in the Reset Notes.

*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 (such as Zero Coupon Notes) 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.

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

The Issuer's obligations under Tier 1 Notes, Undated Tier 2 Notes and Dated Tier 2 Notes will be unsecured and subordinated and will rank junior in priority to the claims of more senior ranking creditors of the Issuer. Although Tier 1 Notes, Undated Tier 2 Notes and Dated Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes will lose all or some of his investment should the Issuer become insolvent.

*Deferral of payments*

All payments on Tier 1 Notes, Undated Tier 2 Notes and Dated Tier 2 Notes, their respective Coupons or under the Trust Deed relating to them or arising therefrom will be deferred if the Issuer does not satisfy the Solvency Condition and the Solvency Capital Requirement at the time of payment and immediately afterwards.

The Issuer may elect to defer payment of interest on Tier 1 Notes, Undated Tier 2 Notes and Dated Tier 2 Notes in certain circumstances.

In respect of Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes which are specified as Option A Notes in the Final Terms, the Issuer may elect to defer payment of interest on any Interest Payment Date where it determines, in its sole discretion, that the Capital Adequacy Condition will not be met on such date or it is prohibited from making interest payments pursuant to the terms of any Parity Security, as described below under "*Terms and Conditions of Tier 1 Notes, Condition 4.1A*", "*Terms and Conditions of Undated Tier 2 Notes, Condition 4.1A*" and "*Terms and Conditions of Dated Tier 2 Notes, Condition 4.1A*", respectively. In respect of any Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes which are specified as Option B Notes in the Final Terms, the Issuer may, in its sole discretion, elect to defer payment of interest on any Interest Payment Date, as described below under "*Terms and Conditions of Tier 1 Notes, Condition 4.1B*", "*Terms and Conditions of Undated Tier 2 Notes, Condition 4.1B*" and "*Terms and Conditions of Dated Tier 2 Notes, Condition 4.1B*", respectively.

In respect of any Tier 1 Notes or any Undated Tier 2 Notes or Dated Tier 2 Notes which, in either case, are specified as ACSM Notes in the Final Terms, if the Issuer is required to defer payment of interest because it does not (or would not) satisfy the Solvency Condition and the Solvency Capital Requirement at the time of payment and immediately afterwards, or the Issuer elects to defer payment of interest on any such Notes, interest not paid will constitute Deferred Interest. Deferred Interest will be satisfied only on the first of the following to occur: (i) redemption of the relevant Notes; (ii) purchase of the relevant Notes by or on behalf of the Issuer; (iii) subject to the subordination provisions of Condition 3, winding-up of the Issuer; or (iv) in the case of Undated Tier 2 Notes or Dated Tier 2 Notes which, in either case, are specified as ACSM Notes, the



Issuer exercising its discretion to satisfy the Deferred Interest, subject to the Issuer satisfying the Solvency Condition and/or Solvency Capital Requirement.

In respect of any Undated Tier 2 Notes or Dated Tier 2 Notes which, in either case, are specified as Non-ACSM Notes in the Final Terms, if the Issuer is required to defer payment of interest because it does not (or would not) satisfy the Solvency Condition and the Solvency Capital Requirement at the time of payment and immediately afterwards, or the Issuer elects to defer payment of interest on any such Notes, interest not paid will constitute Arrears of Interest. Arrears of Interest will be satisfied only on the first of the following to occur: (i) redemption of the relevant Notes; (ii) purchase of the relevant Notes by or on behalf of the Issuer; (iii) subject to the subordination provisions of Condition 3, winding-up of the Issuer; or (iv) the Issuer exercising its discretion to satisfy the Arrears of Interest, subject to the Issuer satisfying the Solvency Condition and/or Solvency Capital Requirement.

In the case of Tier 1 Notes, the Issuer will (except following a Suspension (as defined in Condition 7.10 of the Terms and Conditions of the Tier 1 Notes) and in the circumstances otherwise provided in Condition 7.10 of the Terms and Conditions of the Tier 1 Notes) satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes, as described below under “*Terms and Conditions of Tier 1 Notes, Condition 4.3*”. The operation of the Alternative Coupon Satisfaction Mechanism is subject to certain conditions. In the case of Undated Tier 2 Notes and Dated Tier 2 Notes which are specified in the Final Terms as ACSM Notes – and therefore any interest not paid constitutes Deferred Interest – the Issuer may (except following a Suspension (as defined in Condition 7.9 of the Terms and Conditions of the Undated Tier 2 Notes and Condition 7.9 of the Terms and Conditions of the Dated Tier 2 Notes) and in the circumstances otherwise provided in Condition 7.9 of the Terms and Conditions of the Undated Tier 2 Notes and Condition 7.9 of the Terms and Conditions of the Dated Tier 2 Notes) elect to satisfy its obligation to pay Deferred Interest in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes, as described below under “*Terms and Conditions of Undated Tier 2 Notes, Condition 4.3*” and “*Terms and Conditions of Dated Tier 2 Notes, Condition 4.3*”.

No interest will accrue on Arrears of Interest and no interest will accrue on Deferred Interest, except in the limited circumstances provided in Conditions 4.3(b) and (c), 7.8 and 7.9 of the Terms and Conditions of the Tier 1 Notes, Conditions 4.3(b) and (c), 7.7 and 7.8 of the Terms and Conditions of the Undated Tier 2 Notes and Conditions 4.3(b) and (c), 7.7 and 7.8 of the Terms and Conditions of the Dated Tier 2 Notes.

#### *Capital Adequacy Condition*

As described above, the Issuer may defer payments of interest on Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes which are specified as Option A Notes in the Final Terms where it determines (by reference to the Issuer’s then current financial condition), at its sole discretion, that the Capital Adequacy Condition will not be met on such date. Capital Adequacy Condition means:

- (a) in relation to Prudential Assurance, the Issuer’s wholly owned subsidiary, the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not more senior ranking creditors of the Issuer, by

at least 125% or such percentage specified by the FSA as the Regulatory Capital Requirement specifically applicable to Prudential Assurance (*as at 31 December, 2011, the Regulatory Capital Requirement specifically applicable to Prudential Assurance was approximately 13%*); or

- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it.

The following table shows the ratio, as per test (a), of the Regulatory Assets of Prudential Assurance to its Regulatory Capital Requirement at 31 December, 2006, 31 December, 2007, 31 December, 2008, 31 December, 2009, 31 December, 2010 and 31 December, 2011:

At 31 December						Current Threshold for
2006	2007	2008	2009	2010	2011	Optional Interest Payment Date
150%	151%	191%	178%	162%	149%	125%

Since 1 January, 2005, the Issuer and its Subsidiaries as a group have been subject to a Regulatory Capital Requirement. The Regulatory Capital Requirement requires the Issuer to maintain an excess of Regulatory Assets over Regulatory Liabilities (being liabilities taken into account for the purposes of the Regulatory Capital Requirement) at all times.

The following table shows the percentage, as per test (b), by which the Issuer and its Subsidiaries as a group exceed the Regulatory Capital Requirements, as per the Insurance Group Directive and after allowing for dividend payment, at 31 December, 2006, 31 December 2007, 31 December, 2008, 31 December, 2009, 31 December, 2010 and 31 December, 2011:

At 31 December						Current Threshold for
2006	2007	2008	2009	2010	2011	Optional Interest Payment Date
37%	77%	41%	165%	180%	157%	25%

The following table shows the percentage, as per test (c), by which the Issuer's total Assets exceeded its total Liabilities at 31 December, 2006, 31 December, 2007, 31 December, 2008, 31 December, 2009, 31 December, 2010 and 31 December, 2011:

At 31 December						Current Threshold for
2006	2007	2008	2009	2010	2011	Optional Interest Payment Date
41%	29%	33%	36%	39%	64%	16%

The following table shows the minimum percentage, as per test (d), by which the Issuer's EEA Insurance Subsidiaries exceeded their minimum capital requirements pursuant to the Capital Regulations at 31 December 2006, 31 December, 2007, 31 December, 2008, 31 December, 2009, 31 December, 2010 and 31 December, 2011:

At 31 December					
2006	2007	2008	2009	2010	2011
28%	37%	40%	48%	66%	82%

*Restricted remedy for non-payment*

In accordance with current FSA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee (on behalf of the Holders of Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2

Notes) or, where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Tier 1 Notes, the Terms and Conditions of the Undated Tier 2 Notes and/or the Terms and Conditions of the Dated Tier 2 Notes, any Holder of Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes for recovery of amounts owing in respect of such Notes and Coupons will be in the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and/or claiming in the liquidation of the Issuer for such amounts. See “*Terms and Conditions of Tier 1 Notes, Condition 10*”, “*Terms and Conditions of Undated Tier 2 Notes, Condition 10*” and “*Terms and Conditions of Dated Tier 2 Notes, Condition 10*”, respectively.

#### *Availability of shares to implement the Alternative Coupon Satisfaction Mechanism*

If the Issuer does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares to implement the Alternative Coupon Satisfaction Mechanism and it does not therefore make a payment to satisfy the aggregate amount of Deferred Interest and interest thereon, if any, in accordance with the Alternative Coupon Satisfaction Mechanism, the Redemption Date of the Tier 1 Notes or Undated Tier 2 Notes or Dated Tier 2 Notes which, in either case, are specified as ACSM Notes in the relevant Final Terms shall be postponed until the Directors of the Issuer shall have the necessary authority to issue sufficient Ordinary Shares and the issue proceeds of such Ordinary Shares are sufficient to pay the Deferred Interest and interest thereon, if any, in full. Even if the Directors of the Issuer do have the necessary authority to issue a sufficient number of Ordinary Shares, the Issuer cannot be certain that the public market for its Ordinary Shares at any given time will enable it to raise sufficient proceeds to pay such Deferred Interest and interest thereon, if any.

No Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes which are specified as ACSM Notes in the relevant Final Terms may be redeemed unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest, if any, and interest thereon, if any, are satisfied at that time. Accordingly, if the Directors of the Issuer do not have the necessary authority to issue a sufficient number of Ordinary Shares in connection with the satisfaction of the Alternative Coupon Satisfaction Mechanism on redemption, the Issuer may not redeem any Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes which are specified as ACSM Notes in the relevant Final Terms until such time as all Alternative Coupon Satisfaction Mechanism payments are satisfied at that time.

#### *Delayed interest payments*

In respect of the Tier 1 Notes and Undated Tier 2 Notes which are specified as ACSM Notes in the Final Terms only, the Issuer may decide on any Interest Payment Date to pay any interest not otherwise deferred in accordance with the Alternative Coupon Satisfaction Mechanism. In accordance with these procedures, the Issuer will sell Ordinary Shares in the market in order to raise an amount equal to the interest then payable. If the Issuer is unable to issue sufficient Ordinary Shares to make a payment in full of all interest due to be paid on the Interest Payment Date such interest payment may be delayed.

If the Issuer has elected to use the Alternative Coupon Satisfaction Mechanism but does not make payment in full of all interest due to be paid on an Interest Payment Date because the Directors of the Issuer do not have the necessary authority to issue a sufficient number of Ordinary Shares or for any other reason, interest will accrue on such delayed interest from such initial Interest Payment Date at a rate per annum equal to the rate per annum payable on the relevant Notes but any such interest shall be payable by the Issuer only in accordance with the Alternative Coupon Satisfaction Mechanism.

#### *Redemption Risk*

Early redemption of the Notes will be permitted for taxation reasons as described in the relevant Terms and Conditions of the Notes. In addition, early redemption of Tier 1 Notes, Undated Tier 2 Notes and Dated Tier

2 Notes will be permitted, or, in the case of Tier 1 Notes following a Solvency II Regulatory Event only, required, for regulatory reasons as described in the relevant Terms and Conditions of the Notes.

Early redemption of the Notes will be permitted only to the extent specified in the Final Terms and subject to all relevant legal and regulatory requirements including, in the case of Tier 1 Notes, the Issuer giving one month's prior notice to the FSA and, in the case of Undated Tier 2 Notes or Dated Tier 2 Notes, the Issuer giving six months' prior notice to the FSA and, in each case, to the extent required by the Capital Regulations or Solvency II Regulations in relation to Tier 2 Capital or Tier 1 Capital (as applicable) at the time of such redemption, the FSA giving its prior approval or consent in the form of a waiver or otherwise to such redemption.

In respect of Tier 1 Notes, Undated Tier 2 Notes and Dated Tier 2 Notes, if such 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 Redemption Date and the aggregate amount of any Deferred Interest or Arrears of Interest, as the case may be.

Further, if such Notes are redeemed (i) upon the occurrence of a Par Tax Event at any time or a Regulatory Event or Solvency II Regulatory Event on or after the Optional Redemption Date, the Notes may be redeemed at the outstanding principal amount of the Notes, (ii) upon the occurrence of a Regulatory Event or Solvency II Regulatory Event prior to the Optional Redemption Date, the Notes may be redeemed at the outstanding principal amount of the Notes or at their Make Whole Redemption Price, as specified in the Final Terms, or (iii) upon the occurrence of an Other Tax Event, the Notes may be redeemed on or after the Optional Redemption Date at the outstanding principal amount of the Notes or at their Make Whole Redemption Price, as specified in the Final Terms, together, in each case, with accrued interest to the Redemption Date and the aggregate amount of any Deferred Interest or Arrears of Interest, as the case may be.

In the case of Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes in respect of which the Regulatory Event Redemption and Regulatory Event Refinancing Option is specified in the Final Terms, the Issuer may, at any time upon the occurrence of a Regulatory Event, also substitute the Notes, in whole but not in part, for or vary their terms and conditions and/or the terms of the Trust Deed such that they are treated as an issue of Qualifying Tier 1 Capital (in the case of Tier 1 Notes) or Qualifying Tier 2 Capital (in the case of Undated Tier 2 Notes or Dated Tier 2 Notes) in accordance with the procedures specified in Condition 7.6 of the Terms and Conditions of the Tier 1 Notes, Condition 7.6 of the Terms and Conditions of the Undated Tier 2 Notes and Condition 7.6 of the Terms and Conditions of the Dated Tier 2 Notes, respectively.

For the purposes of Undated Tier 2 Notes and Dated Tier 2 Notes, a Regulatory Event may be deemed to have occurred if the Notes would no longer be eligible to qualify for inclusion in the Upper Tier 2 Capital or Lower Tier 2 Capital (as applicable) of the Issuer and/or if a Solvency II Capital Disqualification Event (as defined in the Terms and Conditions of the Undated Tier 2 Notes and the Terms and Conditions of the Dated Tier 2 Notes, respectively) occurs.

For the purposes of Tier 1 Notes, a Regulatory Event may be deemed to have occurred if the Notes would no longer be eligible to qualify for inclusion in, prior to the Solvency II Implementation Date, Tier 1 Capital, or, on or after the Solvency II Implementation Date, Tier 2 Own Funds or Tier 2 Capital. Following the occurrence of a Solvency II Regulatory Event, the Issuer must redeem the Notes within six months of such Solvency II Regulatory Event, and must satisfy its obligation to so redeem the Notes (including payment of any accrued interest) only out of the proceeds of the issuance of instruments which are Tier 2 Own Funds or Tier 1 Own Funds.

Investors should note that Notes issued which are not eligible to fall within the relevant tier set out in the relevant Regulatory Event definition and/or are issued with terms which do not comply with the applicable rules relating to Solvency II may be immediately subject to the applicable redemption, variation, substitution

or exchange rights of the Issuer, as specified in the Final Terms. There is no requirement that such event(s) may only arise as a result of a change in law after the date on which agreement is reached to issue the Notes. The amount payable to investors on redemption of the Notes in such circumstances will be set out in the Final Terms and may not be fully compensatory.

In respect of Tier 1 Notes, upon the occurrence of a Tax Event the Issuer may, subject to giving notice to the FSA and the FSA giving its consent or approval, convert such Notes into Qualifying Tier 1 Capital (as defined in the Terms and Conditions of the Tier 1 Notes).

In the case of Tier 1 Notes, Undated Tier 2 Notes or Dated Tier 2 Notes, if, on the Redemption Date, redemption does not occur as a result of the Issuer not being in compliance with the Solvency Capital Requirement on and immediately following the relevant Redemption Date, such Notes will only be redeemed upon the earlier of 10 Business Days after the FSA has notified the Issuer of its waiver of or agreement to the redemption of the Notes or the winding-up of the Issuer at their principal amount or, if applicable, the Make Whole Redemption Price.

#### *Exchange Risk*

In the case of Tier 1 Notes in respect of which the Issuer Exchange Option is specified in the Final Terms ("Exchangeable Notes"), the Issuer may, at any time, exchange the Exchangeable Notes, in whole or in part, into Preference Shares credited as fully paid on any Interest Payment Date.

The Preference Shares will, if so issued, be directly-issued non-cumulative preference shares of the Issuer and have terms that provide that: (i) the Preference Shares shall rank in a winding-up of the Issuer *pari passu* with the Exchangeable Notes; (ii) the Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Exchangeable Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates; (iii) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the Alternative Coupon Satisfaction Mechanism incorporated in the terms of the Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall, if applicable to the Exchangeable Notes, have the benefit of provisions analogous to the Dividend and Capital Restrictions described in Condition 4.2 of the Terms and Conditions of the Tier 1 Notes; (iv) the Issuer shall only be required not to pay any dividend on terms which are not materially less favourable to a holder thereof than the mandatory deferral provisions contained in the Exchangeable Notes; (v) the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Exchangeable Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption shall be preserved, but the Preference Shares shall provide that they may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A, Condition 7.5B or Condition 7.5C and subject to the same conditions as those set out in Condition 7.2); (vii) the Issuer shall not be required or entitled to effect, nor shall the Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Preference Shares or conversion of such Preference Shares into Ordinary Shares; (viii) on the winding up of the Issuer, each Preference Share shall entitle the holder thereof to a return of capital equal to its paid-up amount; and (ix) otherwise shall provide that the Preference Shares are not materially less favourable to a holder thereof than the terms of the Tier 1 Notes and the Coupons taken together, as more particularly described in Condition 7.7 of the Terms and Conditions of the Tier 1 Notes.

*The Issuer may not declare and pay any dividend if certain solvency and capital adequacy requirements and other conditions are not met*

The Issuer cannot declare and pay in full dividends on a series of Preference Shares if it does not have sufficient profits available for distribution or fails to meet certain solvency or other requirements prescribed by

the FSA on the due date for payment (or, owing to a failure to meet such requirements on an earlier date, the Issuer has not made payment in full of or set aside and provided for all interest payments payable on any then outstanding Tier 1 Notes on the most recent interest payment date). If, for any such reason, the Issuer does not pay a dividend when due on a due date for payment in respect of the Preference Shares, the holders of such Preference Shares will have no claim in respect of the non-payment and the Issuer will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Preference Shares are declared for any future dividend period.

*The Preference Shares will be perpetual securities and need not be redeemed by the Issuer*

The Issuer is under no obligation to redeem the Preference Shares at any time and the holders of the Preference Shares have no right to call for their redemption.

*Exchangeable Notes and the Preference Shares differ in certain material respects*

Exchangeable Notes and the Preference Shares differ in certain material respects, including, among others: (i) the Preference Shares and the Exchangeable Notes may not rank *pari passu* as to payment; (ii) the Preference Shares do not benefit from any gross-up for taxes associated with dividend payments; (iii) dividends on Preference Shares are fully discretionary; and (iv) the Preference Shares may only be redeemed from profits available for distribution or the proceeds of a new issue of equity securities. As a result of these differences, there may be circumstances in which payments will be made on Exchangeable Notes but not on the Preference Shares.

*The Issuer is not required to make payments under the Preference Shares unless it first makes other required payments*

The Issuer's obligations under the Preference Shares will rank junior as to payments to all the Issuer's liabilities to the more senior-ranking creditors of the Issuer. In a winding-up or dissolution, the Issuer's assets would be available to pay obligations under any Preference Shares only after the Issuer has made all payments on liabilities to more senior-ranking creditors of the Issuer.

*The Issuer's Articles of Association contain an exclusive jurisdiction provision*

Under the Issuer's Articles of Association, certain legal proceedings may only be brought in the courts of England and Wales. This applies to legal proceedings by a shareholder (in its capacity as such) against the Issuer and/or its directors and/or its professional service providers. It also applies to legal proceedings between the Issuer and its directors and/or the Issuer and the Issuer's professional service providers that arise in connection with legal proceedings between the shareholder and such professional service provider. This provision could make it difficult for US and other non-UK holders of the Preference Shares to enforce their rights under the Preference Shares.

### ***Risks related to Notes generally***

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

*The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Holders and without regard to the individual interests of particular Holders*

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Holders and without regard to the interests of particular Holders: (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes; or (ii) determine that (a) in the case of Dated Tier 2 Notes, Undated Tier 2 Notes or Tier 1 Notes, any Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such or (b) in the case of Senior Notes, any Event of Default or Potential Event of Default shall not be treated as such; or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the Terms and Conditions of the Notes.

#### *European Monetary Union*

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in any Notes. It is possible that prior to the maturity of any Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event: (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro; (ii) the law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

#### *Withholding under the EU Savings Directive*

Under EC Council Directive 2003/48/EC ("Directive 2003/48/EC") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to Directive 2003/48/EC which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined herein) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to Directive 2003/48/EC.

#### *Foreign account tax compliance withholding*

Under Sections 1471–1474 of the U.S. Internal Revenue Code ("FATCA"), the Issuer (and other non-U.S. financial institutions through which payments on the Notes are made) may be required to withhold U.S. tax at a rate of 30 per cent on all, or a portion of, payments made after 31 December, 2016 in respect of the Notes, unless, in each case, the recipient of the payment complies with certain certification and identification requirements.

If an amount is deducted or withheld from interest, principal or other payments on the Notes on account of FATCA, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, if payments in respect of the Notes are subject to FATCA withholding, investors may receive less interest or principal than expected.

On 12 September, 2012, the United Kingdom and the United States entered into an intergovernmental agreement to improve tax compliance and to implement FATCA (the "Agreement"). On 18 September, 2012, HM Revenue & Customs launched a consultation on implementing the Agreement into UK law and this is expected to be implemented as part of the Finance Bill 2013.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance which may be subject to change. Holders of the Notes should consult their own tax advisers on how these rules may affect them dependent upon their particular circumstance.

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

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

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Bearer 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 holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Bearer Note in respect of such holding (should Definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

### ***Risks related to the market generally***

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

*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 his Notes*

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



secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition 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 the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*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 value of the Fixed Rate Notes.

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes*

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 related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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 transitional provisions that apply in certain circumstances whilst the registration application is pending. 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). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("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 9 of this Prospectus and will be disclosed in the Final Terms.

## SUMMARY FINANCIAL INFORMATION

The following tables present the profit and loss account and balance sheet data for and as at the six months ended 30 June, 2012 and 30 June, 2011 and the years ended 31 December, 2011 and 31 December, 2010. The information has been derived from the Issuer's unaudited consolidated half year financial statements and the Issuer's audited consolidated financial statements audited by KPMG Audit Plc.

### Unaudited Consolidated Half Year Financial Results

#### International Financial Reporting Standards (IFRS) Basis Results

Statutory IFRS basis results	Half Year 2012	Half Year 2011*
Profit after tax attributable to equity holders of the Company .....	<b>£952m</b>	£829m
Basic earnings per share .....	<b>37.5p</b>	32.7p
Shareholders' equity, excluding non-controlling interests .....	<b>£9.3bn</b>	£8.0bn
<b>Supplementary IFRS basis information</b>		
Operating profit based on longer-term investment returns .....	<b>£1,162m</b>	£1,028m
Short-term fluctuations in investment returns on shareholder-backed business ...	<b>£(32)m</b>	£93m
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes .....	<b>£87m</b>	£(7)m
Gain on dilution of Group's holdings .....	<b>£42m</b>	—
Profit before tax attributable to shareholders .....	<b>£1,259m</b>	£1,114m
Operating earnings per share (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests) .....	<b>34.5p</b>	31.4p
	Half Year 2012	Half Year 2011
Dividends per share declared and paid in reporting period .....	<b>17.24p</b>	17.24p
Dividends per share relating to reporting period .....	<b>8.40p</b>	7.95p
Funds under management .....	<b>£363bn</b>	£350bn

\* In 2012, the Group has adopted altered US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP. Accordingly, the Half Year 2011 comparative results have been adjusted from those previously published for the retrospective application of the improvement as if the new accounting policy had always applied.

## Audited Consolidated Financial Statements

	Year Ended 31 December	
	2011**	2010**
	£ million	
<b>Statutory IFRS basis results</b>		
Gross premiums earned .....	25,706	24,568
Outward reinsurance premiums .....	(429)	(357)
Earned premiums, net of reinsurance .....	25,277	24,211
Investment return.....	9,360	21,769
Other income .....	1,869	1,666
Total revenue, net of reinsurance .....	<b>36,506</b>	<b>47,646</b>
Profit before tax attributable to shareholders .....	1,943	1,461
Tax charge attributable to shareholders' returns.....	(449)	(25)
Profit for the year .....	1,494	1,436
Less: attributable to non-controlling interests .....	(4)	(5)
Profit after tax attributable to equity holders of the Issuer.....	<b>1,490</b>	<b>1,431</b>
<b>Supplementary IFRS basis information</b>		
Operating profit based on longer-term investment returns:		
Asia operations .....	784	604
US operations .....	718	855
UK operations .....	1,080	1,003
Other income and expenditure.....	(483)	(450)
RPI to CPI inflation measure change on defined benefit pension schemes.....	42	—
Solvency II implementation costs.....	(55)	(45)
Restructuring costs .....	(16)	(26)
Operating profit based on longer-term investment returns .....	2,070	1,941
Short-term fluctuations in investment returns on shareholder-backed business .....	(148)	(123)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes .....	21	(10)
Costs of terminated AIA transaction.....	—	(377)
Gain on dilution of holding in PruHealth .....	—	30
Profit before tax attributable to shareholders .....	<b>(1,943)</b>	<b>1,461</b>
Operating earnings per share (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests)***	<b>63.9p</b>	62.0p
	Year Ended 31 December	
	2011**	2010**
Basic earnings per share .....	58.8p	56.7p
Shareholders' equity, excluding non-controlling interests .....	£9.1bn	£8.0bn
Dividends per share declared and paid in reporting period.....	25.19p	20.17p
Dividends per share relating to reporting period .....	25.19p	23.85p
Funds under management .....	£351bn	£340bn

\*\* The figures for the years end 31 December, 2011 and 2010 are as published in the 2011 Annual Report of the Issuer and have not been adjusted for the retrospective application of the altered US GAAP requirements for deferred acquisition costs adopted in 2012 as described above. On the retrospective application of this new accounting policy, for the year ended 31 December, 2011, the operating profit based on longer-term investment returns of the Group altered from £2,070 million to £2,027 million (2010: from £1,941 million to £1,826 million), profit before tax attributable to shareholders altered from £1,943 million to £1,828 million (2010: from £1,461 million to £1,271 million), and shareholders' equity at 31 December, 2011 altered from £9.1 billion to £8.6 billion (31 December, 2010: from £8.0 billion to £7.5 billion).

\*\*\* The operating earnings per share for full year 2010 excluded an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities.

The Issuer prepared the above accounts in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union (EU).

## TERMS AND CONDITIONS OF SENIOR NOTES

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*The following are the Terms and Conditions of the Senior Notes (the "Notes") which, as completed in accordance with the provisions of Part A of the relevant Final Terms, will be applicable to each Tranche of Notes. Either: (i) the full text of these Terms and Conditions together with the relevant provisions of Part A of the Final Terms; or (ii) these Terms and Conditions as so completed, shall be endorsed on the Bearer Notes (as defined below) or on the certificates relating to the Registered Notes (as defined below). Certain provisions relating to such Notes while in global form, and certain modifications of these Terms and Conditions applicable to such Notes while in global form, are described in the section entitled "Provisions relating to the Notes while in Global Form".*

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 19 December, 2012 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar and, together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions (these "Conditions") for the purposes of this Note. References to the "Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and at the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the London Stock Exchange's regulated market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the

Trustee or the Issue and Paying Agent as to the identity of such holder. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

## **1. FORM AND DENOMINATION**

### *1.1 Form*

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (Directive 2003/71/EC) (as amended), the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### *1.2 Coupons and Talons*

Interest-bearing definitive Bearer Notes have attached thereto, at the time of their initial delivery, coupons ("Coupons"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, such Notes may have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons. If this Note is a Zero Coupon Note, references to Coupons and Couponholders in these Conditions are not applicable.

### *1.3 Interest Basis*

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include an EONIA Linked Interest Note, a SONIA Linked Interest Note, a Federal Funds Rate Linked Interest Note or a CMS Linked Interest Note if this Note is specified as such in the Final Terms), a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

### *1.4 Denomination of Bearer Notes*

Bearer Notes are in the Specified Denomination or Denominations specified in the Final Terms.

### *1.5 Denomination of Registered Notes*

Registered Notes are in the minimum Specified Denomination or Denominations specified in the Final Terms or integral multiples thereof.

### *1.6 Currency of Notes*

The Notes are denominated in the Specified Currency specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. TITLE AND TRANSFER**

### *2.1 Title to Bearer Notes*

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

### *2.2 Title to Registered Notes*

Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the “Holders” in relation to Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

### *2.3 Holder as Owner*

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

### *2.4 Transfer of Registered Notes*

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

### *2.5 New Registered Notes*

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar after the Record Date (as defined in Condition 6.4) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

- (a) “Relevant Banking Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
- (b) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.

### *2.6 No Charges upon Transfer*

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in relation thereto.

## 2.7 144A Legend

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the “144A Legend”) set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the 144A Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

## 2.8 Information to Holders

For so long as any of the Registered Notes bearing the 144A Legend remains outstanding and is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the “Securities Act”), the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents and the Registrar in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

## 3. STATUS OF THE NOTES

The Notes and any relative Coupons are direct and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank without any preference among themselves and (subject as aforesaid and to such exceptions as are from time to time applicable under the laws of the United Kingdom) *pari passu* with all other outstanding, unsecured and unsubordinated obligations of the Issuer.

## 4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure (so far as the Issuer can procure by the proper exercise of voting and other rights or powers of control exercisable by the Issuer in relation to Subsidiaries (as defined in the Trust Deed)) that the Principal Subsidiary (as defined below) will not, create or permit to subsist any mortgage or charge upon the whole or any part of its undertaking or assets (other than assets representing the fund or funds maintained by the Issuer or, as the case may be, the Principal Subsidiary in respect of long-term business (as defined in the Financial Services and Markets Act 2000)), present or future, to secure payment of any present or future Relevant Indebtedness (as defined below) of the Issuer or any Subsidiary or to secure any guarantee or indemnity in respect thereof, without at the same time according to the Notes, the Coupons and all amounts payable under the Trust Deed in respect thereof to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.



“Principal Subsidiary” means The Prudential Assurance Company Limited but, in the case of this Condition and paragraphs (iii) to (vii) (inclusive) of Condition 10, only for so long as it remains a Subsidiary of Prudential.

“Relevant Indebtedness” means any indebtedness for borrowed money (other than indebtedness in the form of sterling debenture stock (as defined in the Trust Deed) or indebtedness which has a stated maturity not exceeding one year) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer or any Subsidiary, as the case may be, are quoted, listed, dealt in or traded on a stock exchange or over the counter or other recognised securities market (whether or not distributed by way of private placement) excluding any indebtedness for borrowed money in respect of which the person to whom such indebtedness is owed has no recourse whatsoever to the Issuer or the Principal Subsidiary, as the case may be, for repayment other than recourse for amounts limited to the cash flow or net cash flow (other than historical cash flow or historical net cash flow) from such asset.

## **5. INTEREST**

### *5A Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) (as specified in the Final Terms) in each year up to (and including) the Maturity Date.

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

As used in these Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

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

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

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

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

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

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

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

## *5B Interest on Floating Rate Notes*

### *5B.1 Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

In these Conditions, "Business Day" means a day which is both:

- (C) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the Final Terms; and
- (D) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the "TARGET2 System") is open.

#### 5B.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

#### 5B.3 ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5B.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent (as defined below) for that swap transaction under the terms of 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 (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this Condition 5B.3, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

#### *5B.4 Screen Rate Determination for Floating Rate Notes*

##### *A. Floating Rate Notes other than EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes*

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

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

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

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant 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 the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the

Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) 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, at approximately the Relevant 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 the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), 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 is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5B.4A:

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market; in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and, in the case of a determination of a Reference Rate other than LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Issue and Paying Agent.

“Reference Rate” means, as specified in the Final Terms, (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Singapore interbank offered rate (“SIBOR”), (iv) the Tokyo interbank offered rate (“TIBOR”), (v) the Hong Kong interbank offered rate (“HIBOR”) or (vi) the bank rate of the Bank of England (the “Bank of England Base Rate”), in each case for the relevant currency and for the relevant period (if applicable), as specified for each in the Final Terms.

“Relevant Financial Centre” means the financial centre specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of a determination of SIBOR, Singapore, (iv) in the case of a determination of TIBOR, Tokyo, (v) in the case of a determination of HIBOR, Hong Kong or (vi) in the case of a determination of the Bank of England Base Rate, London.

“Relevant Time” means the time specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, 11.00 a.m., (ii) in the case of a determination of EURIBOR, 11.00 a.m., (iii) in the case of a determination of SIBOR, 11.00 a.m., (iv) in the case of a determination of TIBOR, 11.00 a.m. (v) in the case of a determination of HIBOR, 11.00 a.m. or (vi) in the case of a determination of the Bank of England Base Rate, 11.00 a.m., in each case in the Relevant Financial Centre.

*B. Floating Rate Notes which are EONIA Linked Interest Notes*

Where the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest ten-thousandths of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with provisions set out below and the following formula:

Capitalised EONIA + Margin

As used above:

“Capitalised EONIA” means the resultant figure of the following formula:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{EONIA_i \times n_1}{360} \right) - 1 \right] \times \frac{360}{d}$$

“ $d_0$ ” means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period.

“ $i$ ” means a series of whole numbers from one to  $d_0$ , each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period.

“ $EONIA_i$ ” means, for any day “ $i$ ” in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

“ $n_1$ ” means the number of calendar days in the relevant Interest Period.

“ $d$ ” means the number of calendar days in the relevant Interest Period.

“Margin” has the meaning specified in the Final Terms.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters Screen EONIA Page or any successor.

“TARGET Business Day” means a day on which the TARGET2 System is open.

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in  $EONIA_i$  appears for any reason for any day “ $i$ ” on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine  $EONIA_i$  for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

### C. *Floating Rate Notes which are SONIA Linked Interest Notes*

Where the Reference Rate is specified as being SONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}}$$

where:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}} = \frac{365}{D} \times \left[ \prod_{i=1}^D \left( 1 + \frac{(r_i) \times d_i}{365} \right) - 1 \right]$$

As used above:

“ $D$ ” means the number of calendar days in the relevant Observation Period.

" $D_0$ " means the number of London Business Days in the relevant Observation Period.

" $i$ " means a series of whole numbers from one to  $D_0$ , each representing the relevant London Business Days in chronological order from, and including, the first London Business Day in the relevant Observation Period.

" $r_i$ " means, for any London Business Day  $i$  in the relevant Observation Period, the SONIA rate in respect of such London Business Day plus the Margin.

" $d_i$ " means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

"London Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Margin" has the meaning specified in the Final Terms.

"Observation Period" means, in respect of an Interest Period, the period from, and including, 5 London Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending, but excluding, 5 London Business Days prior to the Interest Payment Date for such Interest Period (and the last Interest Period shall end on but exclude the Maturity Date).

"Relevant Screen Page" means the screen page specified in the Final Terms or, if none is so specified, Reuters page SONIA 1 or any successor.

"SONIA rate" means, in respect of a London Business Day, the effective reference rate equal to the overnight interest rate (published as a percentage to four decimal places) calculated by the Wholesale Market Bankers' Association as a weighted average of all overnight unsecured lending transactions in Sterling in the interbank market, initiated within London by the contributing panel banks which appears on the Relevant Screen Page as of 7.00 p.m. (Central European time) on such London Business Day, all as determined by the Calculation Agent.

If, at any such time, the Calculation Agent determines that either the Relevant Screen Page is not available or that no such quotation appears, the Calculation Agent will determine the SONIA rate for such time and London Business Day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*D. Floating Rate Notes which are Federal Funds Rate Linked Interest Notes*

Where the Reference Rate is specified as being the Federal Funds Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below as the Weighted Average of the U.S. Federal Funds Rate.

As used above:

"Weighted Average of the U.S. Federal Funds Rate" means  $D1/D2$ .

Where:

“D1” means, in respect of an Interest Period, the sum of the Relevant Rates for each calendar day in such Interest Period. For any calendar day in the relevant Interest Period that is an Interest Determination Date, the “Relevant Rate” is the U.S. Federal Funds Rate on such Interest Determination Date. For any calendar day in such Interest Period that is not an Interest Determination Date, the Relevant Rate for such calendar day shall be the Relevant Rate on the immediately preceding Interest Determination Date.

“D2” shall mean the number of calendar days in the Interest Period.

“Interest Determination Date” means, in respect of an Interest Reset Date, the first New York City Banking Day prior to such Interest Reset Date.

“Interest Rate Cut Off Date” means, in respect of an Interest Period, the fourth New York City Banking Day prior to the Interest Payment Date on which such Interest Period ends.

“Interest Reset Date” means, in respect of an Interest Period, each New York City Banking Day in such Interest Period up to and including the Interest Rate Cut Off Date.

“New York City Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

“U.S. Federal Funds Rate” means, in respect of an Interest Determination Date, the rate for U.S. dollar federal funds on such Interest Determination Date as published in H.15(519) under the caption “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption “EFFECT” (or any other page as may replace the specified page on that service) (“FEDFUNDS1 Page”).

If the U.S. Federal Funds Rate for an Interest Determination Date does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, in respect of such Interest Determination Date, the U.S. Federal Funds Rate for such Interest Determination Date shall be as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption “Federal funds (effective)”. If the U.S. Federal Funds Rate is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, the U.S. Federal Funds Rate with respect to such Interest Determination Date shall be the U.S. Federal Funds Rate for the first preceding day for which the U.S. Federal Funds Rate is set forth in H.15(519) opposite the caption “Federal funds (effective)”, as the U.S. Federal Funds Rate is displayed on the FEDFUNDS1 Page.

*E. Floating Rate Notes which are CMS Linked Interest Notes*

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

CMS Rate + Margin

As used above:

“CMS Rate” shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.



If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, 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).

For this purpose:

"Margin" has the meaning specified in the Final Terms.

"Reference Banks" means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

"Relevant Screen Page" has the meaning specified in the Final Terms.

"Relevant Swap Rate" means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

“Relevant Time” has the meaning specified in the Final Terms.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

#### *5B.5 Minimum Rate of Interest and/or Maximum Rate of Interest*

If the Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5B above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5B above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### *5B.6 Determination of Rate of Interest and calculation of Interest Amounts*

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount 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 without any further rounding.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

#### *5B.7 Notification of Rate of Interest and Interest Amounts*

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

this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

#### *5B.8 Determination or Calculation by Trustee*

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with Condition 5B.3 or 5B.4, as the case may be, and in each case in accordance with Condition 5B.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee (at the expense of the Issuer) may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

#### *5B.9 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 5B, whether by the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5C 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 (being the Maturity Date or any other date for redemption pursuant to these Conditions) unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## **6. PAYMENTS**

### *6.1 Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and which, in the case of a payment on a Note in bearer form for U.S. federal income tax purposes, shall be an account outside the United States, except as may be permitted by United States federal income tax law) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (in no event, however, shall payment in respect of a Note in bearer form for U.S. federal income tax purposes be made by cheque mailed to an address in the United States); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase “fiscal or other laws or regulations” shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

## 6.2 *Presentation of Bearer Notes and Coupons*

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

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

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as applicable.

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

### 6.3 *U.S. Paying Agent*

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

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

### 6.4 *Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a Holder does not have a Designated Account; or (ii) the nominal amount of the Registered Notes held by a Holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency) payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a

payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a Holder with a Designated Bank and identified as such in the register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

#### 6.5 *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “Payment Day” means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (in the case of Notes in definitive form only), London and each Additional Financial Centre specified in the Final Terms; and
- (ii) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### 6.6 *Interpretation of principal and interest*

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



- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

## **7. REDEMPTION AND PURCHASE**

### *7.1 Redemption of Notes at Maturity*

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

### *7.2 Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14 (which notice shall be irrevocable), if immediately prior to the giving of such notice the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

The Issuer shall be deemed to have satisfied the Trustee as referred to in the preceding paragraph if prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall have delivered to the Trustee: (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 7.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.2.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together, if appropriate, with interest accrued to (but excluding) the date of

redemption.

### 7.3 *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Issue and Paying Agent and the Trustee,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than a Higher Redemption Amount. In the case of a partial redemption of Notes in definitive form, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). A list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

For the purposes of this Condition 7.3, the Optional Redemption Amount shall be, as specified in the Final Terms, (i) the Make Whole Redemption Price or (ii) the amount per Calculation Amount specified in the Final Terms.

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.3:

"Determination Agent" means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

"FA Selected Bond" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the Maturity Date.

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

“Redemption Margin” shall be as set out in the Final Terms.

“Reference Bond” shall be as set out in the Final Terms or the FA Selected Bond.

“Reference Bond Price” means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Bond Rate” means, with respect to any Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date.

“Reference Date” will be set out in the relevant notice of redemption.

“Reference Government Bond Dealer” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term to the Maturity Date determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

#### *7.4 Redemption at the option of the Holders of the Notes (Investor Put)*

If Investor Put is specified as being applicable in the Final Terms, upon the Holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days’ notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the Holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent and in which the Holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition.

### 7.5 *Early Redemption Amount*

For the purpose of Condition 7.2 and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) at the amount specified in the Final Terms or, if no such amount or manner is so specified in the Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is the Day Count Fraction specified in the Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

### 7.6 *Purchases*

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

### 7.7 *Cancellation*

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

### 7.8 *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(ii) above as though the references

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

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

## **8. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

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

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

## **9. PRESCRIPTION**

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

The Trustee at its discretion may, and if so requested in writing by the Holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders shall (subject to in each case being indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed), (but, in the case of the happening of any of the events mentioned in paragraphs (ii), (v), (vi) and (vii) below in relation to the Issuer and (iii) to (viii) below (inclusive) in relation to the Principal Subsidiary, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Holders) give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (as referred to in Condition 7.5), together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

- (i) if default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them; or
- (ii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding-up of, or an administration order is made in relation to, the Issuer or the Principal Subsidiary (save, in the case of the Principal Subsidiary, (a) with the prior written consent of the Trustee or the prior sanction of an Extraordinary Resolution of the Holders for the purposes of or in connection with an amalgamation or reconstruction, or (b) a voluntary solvent winding-up where surplus assets are available for distribution); or
- (iv) if the Issuer or the Principal Subsidiary stops or threatens to stop payment to its creditors generally or the Issuer or the Principal Subsidiary ceases or threatens to cease to carry on its business or substantially the whole of its business (except for the purposes of, or in connection with, a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or an Extraordinary Resolution of the Holders or, in the case of the Principal Subsidiary, such a winding-up as is referred to in (iii)(b) above); or
- (v) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the Issuer or the Principal Subsidiary or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer or the Principal Subsidiary

and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or

- (vi) if the Issuer or the Principal Subsidiary is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; or
- (vii) if any indebtedness for moneys borrowed (as defined below) of the Issuer or the Principal Subsidiary (which indebtedness in respect of any single company has an outstanding aggregate principal amount of at least £30,000,000 (or its equivalent in any other currency or currencies)) is not paid on its due date as extended by any applicable grace period and following a demand therefor or is declared to be or automatically becomes due and payable prior to its stated maturity by reason of default or if any guarantee or indemnity in respect of indebtedness for moneys borrowed of any third party given by the Issuer or the Principal Subsidiary (having in respect of any single company an outstanding aggregate principal amount as aforesaid) is not honoured when due and called upon and, in any such case, the liability of the Issuer or the Principal Subsidiary, as the case may be, to make payment is not being contested in good faith; or
- (viii) if the Principal Subsidiary shall cease to be a Subsidiary of Prudential, except pursuant to such an amalgamation, reconstruction or winding-up as is referred to in paragraph (iv) above.

“Indebtedness for moneys borrowed” means the principal amount of (a) all moneys borrowed and (b) all debentures (together in each case with any fixed or minimum premium payable on final redemption or repayment) which are not for the time being beneficially owned by Prudential or any of its Subsidiaries.

The Trustee may at its discretion institute such proceedings as it may think fit to enforce the obligations of the Issuer under the Trust Deed, the Notes and the Coupons but it shall not be bound to institute any such proceedings or take any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed. No Holder shall be entitled to institute proceedings directly against the Issuer unless the Trustee having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

## **11. REPLACEMENT OF NOTES, COUPONS AND TALONS**

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

## **12. PAYING AGENTS**

The name of the initial Paying Agents and their specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar;

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it will maintain a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, the Directive (as defined in Condition 8); and
- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes and Coupons (so long as there is such a jurisdiction).

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Notice of any variation, termination, appointment or change in Paying Agents will be given to Holders promptly by the Issuer in accordance with Condition 14.

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

### **13. EXCHANGE OF TALONS**

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

### **14. NOTICES**

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

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.



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

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

### *15.1 Meetings*

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

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

### *15.2 Modifications*

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

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

### *15.3 Substitution*

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Holders, may agree with the Issuer, without the consent of the Holders, to the substitution in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons of: (i) any Subsidiary of the Issuer; (ii) any successor in business of the Issuer; (iii) any Holding Company of the Issuer; or (iv) any other Subsidiary of such Holding Company provided that except where the new principal debtor is the successor in business or Holding Company of the Issuer the obligations of such new principal debtor under the Trust Deed, the Notes and the Coupons shall be unconditionally and irrevocably guaranteed by the Issuer or its Holding Company.

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

#### *15.4 Exercise of Trustee's powers and discretions*

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

### **16. FURTHER ISSUES**

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

### **17. GOVERNING LAW**

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

### **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## TERMS AND CONDITIONS OF DATED TIER 2 NOTES

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*The following, except for paragraphs in italics, are the Terms and Conditions of the Dated Tier 2 Notes (the “Notes”) which, as completed in accordance with the provisions of Part A of the relevant Final Terms, will be applicable to each Tranche of Notes. Either: (i) the full text of these Terms and Conditions together with the relevant provisions of Part A of the Final Terms; or (ii) these Terms and Conditions as so completed, shall be endorsed on the Bearer Notes (as defined below) or on the certificates relating to the Registered Notes (as defined below). Certain provisions relating to such Notes while in global form, and certain modifications of these Terms and Conditions applicable to such Notes while in global form, are described in the section entitled “Provisions relating to the Notes while in Global Form”.*

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 19 December, 2012 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the “Issue and Paying Agent”, which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the “Registrar”, which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions (these “Conditions”) for the purposes of this Note. References to the “Final Terms” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the London Stock Exchange’s regulated market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the

Trustee or the Issue and Paying Agent as to the identity of such holder. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

## **1. FORM AND DENOMINATION**

### *1.1 Form*

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (Directive 2003/71/EC) (as amended), the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### *1.2 Coupons and Talons*

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

### *1.3 Interest Basis*

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include an EONIA Linked Interest Note, a SONIA Linked Interest Note, a Federal Funds Rate Linked Interest Note or a CMS Linked Interest Note if this Note is specified as such in the Final Terms), a Reset Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

### *1.4 Denomination of Bearer Notes*

Bearer Notes are in the Specified Denomination or Denominations specified in the Final Terms.

### *1.5 Denomination of Registered Notes*

Registered Notes are in the minimum Specified Denomination or Denominations specified in the Final Terms or integral multiples thereof.

### *1.6 Currency of Notes*

The Notes are denominated in the Specified Currency specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. TITLE AND TRANSFER**

### *2.1 Title to Bearer Notes*

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

### *2.2 Title to Registered Notes*

Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the “Holders” in relation to Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

### *2.3 Holder as Owner*

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

### *2.4 Transfer of Registered Notes*

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

### *2.5 New Registered Notes*

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar after the Record Date (as defined in Condition 6.4) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

- (a) “Relevant Banking Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
- (b) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.

### *2.6 No Charges upon Transfer*

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in relation thereto.

## 2.7 144A Legend

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the “144A Legend”) set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the 144A Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

## 2.8 Information to Holders

For so long as any of the Registered Notes bearing the 144A Legend remains outstanding and is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the “Securities Act”), the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents and the Registrar in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

## 3. STATUS OF THE NOTES

### 3.1 Status

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

The rights of Holders of the Notes and any relative Coupons against the Issuer to payment of any amounts under or arising from the Notes, any relative Coupons and the Trust Deed relating to them or arising therefrom are, in the event of the winding-up of the Issuer, subordinated in the manner provided in the Trust Deed to the claims of all Dated Tier 2 Senior Creditors, but shall rank at least *pari passu* with all other obligations of the Issuer which constitute or would, but for any applicable limitation on the amount of such capital, constitute Lower Tier 2 Capital and in priority to those whose claims constitute or would, but for any applicable limitation on the amount of such capital, constitute Upper Tier 2 Capital or Tier 1 Capital and in priority to the claims of holders of all classes of share capital of the Issuer.

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee’s fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency

Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to all Dated Tier 2 Senior Creditors, the Holders of the Notes and the holders of any Parity Securities as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are neither Dated Tier 2 Senior Creditors nor the Holders of the Notes nor the holders of Parity Securities, by at least 4% or such other percentage specified by the FSA from time to time as the Regulatory Capital Requirement.

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

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

(b) *Solvency Claims*

Without prejudice to the rest of these Conditions, amounts representing payments of any amount under or arising from the Notes, any relative Coupons and the Trust Deed relating to them in respect of which the Solvency Condition and/or the Solvency Capital Requirement is or are not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer in a winding-up of the Issuer as provided in the second paragraph of Condition 3.1(a). A Solvency Claim shall not bear interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

3.2 *Solvency Capital Requirement*

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall, unless otherwise permitted by the FSA, be conditional upon the Issuer satisfying the Solvency Capital Requirement at the time of and immediately after any such payment, and, unless otherwise permitted by the FSA, the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Capital Requirement both at the time of and immediately after any such payment, redemption or purchase.

A report as to the Issuer's compliance with the Solvency Capital Requirement signed by two Directors of the Issuer or, if there is a winding-up of the Issuer in England and Wales, the liquidator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders of the Notes and any relative Coupons as correct and sufficient evidence thereof. If the Issuer fails to make any interest payment as a result of failure to satisfy the Solvency Capital Requirement, that payment will, in the case of ACSM Notes, constitute Deferred Interest and, in the case of Non-ACSM Notes, constitute Arrears of Interest until paid. In a winding-up, the amount payable on the Notes will be determined in accordance with the provisions described in paragraph 3.1(b) above.

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

### 3.3 Set-off

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

## 4. DEFERRAL OF PAYMENTS

This Note may be an Option A Note or an Option B Note, as specified in the Final Terms.

### 4.1A Deferral of Interest – Option A Notes

This Condition 4.1A shall apply to Option A Notes only.

- (a) Payments of interest on the Option A Notes will be mandatory on each Compulsory Interest Payment Date.
- (b) The Issuer may, by giving notice thereof to the Trustee and the Holders of the Option A Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date (an "Optional Interest Payment Date") where it determines (by reference to the Issuer's then current financial condition) at its sole discretion, on or after the 20th Business Day, but not later than the fifth Business Day, prior to such Interest Payment Date that:
  - (i) the Capital Adequacy Condition will not be met on such date; or
  - (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment.
- (c) Any interest payments that the Issuer does not make in respect of the Option A Notes on an Optional Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute, in the case of Non-ACSM Notes, Arrears of Interest or, in the case of ACSM Notes, Deferred Interest. No interest will accrue on Arrears of Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions and 4.3(b) and (c), 7.7 and 7.8.

### 4.1B Deferral of Interest – Option B Notes

This Condition 4.1B shall apply to Option B Notes only.

- (a) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option B Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date.



- (b) Any interest payments that the Issuer does not make in respect of the Option B Notes on an Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute, in the case of Non-ACSM Notes, Arrears of Interest or, in the case of ACSM Notes, Deferred Interest. No interest will accrue on Arrears of Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

#### *4.2A Arrears of Interest*

This Condition 4.2A shall apply in relation to Notes in respect of which the Alternative Coupon Satisfaction Mechanism does not apply (as specified in the Final Terms) ("Non-ACSM Notes") only.

At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Arrears of Interest will be payable in whole or in part (as specified in the notice given by the Issuer) at any time upon the Issuer giving not less than 7 days' notice to the Trustee and the Holders in accordance with Condition 14. Arrears of Interest will become payable on the redemption of the Non-ACSM Notes or purchase of the Non-ACSM Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.1, upon the commencement of the winding-up of the Issuer, but so that in the case of payment of only part of the Arrears of Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

#### *4.2B Deferred Interest*

This Condition 4.2B shall be applicable in relation to Notes in respect of which the Alternative Coupon Satisfaction Mechanism applies (as specified in the Final Terms) ("ACSM Notes") only.

At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Deferred Interest will be payable in whole or in part (as specified in the notice given by the Issuer) at any time upon the Issuer giving not less than 7 days' notice to the Trustee and the Holders in accordance with Condition 14. Deferred Interest will become payable on the redemption of the ACSM Notes or purchase of the ACSM Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.1, upon the commencement of the winding-up of the Issuer, but so that in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Subject to Condition 7.9, the Issuer may satisfy its obligation to pay Deferred Interest in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the ACSM Notes.

#### *4.3 Alternative Coupon Satisfaction Mechanism*

This Condition 4.3 shall be applicable to ACSM Notes only.

##### *(a) General*

The Issuer may, in its absolute discretion, elect to satisfy its obligation to pay any Deferred Interest on an ACSM Deferred Interest Payment Date or on redemption of the ACSM Notes or on purchase of the ACSM Notes by or on behalf of the Issuer in accordance with the procedures described below.

The obligation of the Issuer to pay any Deferred Interest (should the Issuer so elect as described below) in accordance with the Alternative Coupon Satisfaction Mechanism will be satisfied as follows:

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest on an ACSM Deferred Interest Payment Date, the Issuer shall, in accordance with Condition 14, give notice to the Holders in accordance with Condition 4.1A or, as the case may be, Condition 4.1B. With respect to the payment by the Issuer of Deferred Interest on a Redemption Date, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.7, of the forthcoming Redemption Date;
- (ii) not later than 14 Business Days prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the ACSM Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);
- (iii) not later than ten Business Days prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent, or an appointed intermediary, shall place such number of Ordinary Shares in the market;
- (iv) not later than the close of business on the seventh Business Day prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent, or an appointed intermediary, shall notify the Issuer of the number of Ordinary Shares for which it has procured purchasers;
- (v) as soon as reasonably practicable following such notification but not later than the sixth Business Day prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the Issuer shall, subject to having necessary corporate authorisations in place, issue and allot such Ordinary Shares to the purchasers who have agreed to purchase them;
- (vi) if, after the operation of the above procedures there would, in the opinion of the ACSM Calculation Agent, be a shortfall of proceeds towards the satisfaction of the aggregate amount of Deferred Interest payable on the ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent shall use its reasonable endeavours to find purchasers for further Ordinary Shares and the Issuer shall, subject to having the necessary corporate authorisations in place, issue and allot such further Ordinary Shares to the purchasers who have agreed to purchase them in accordance with these provisions to try to ensure that a sum (after the Issuer has paid any taxes, duties, costs and expenses payable by it in connection with the issue of the Ordinary Shares) at least equal to the aggregate amount of Deferred Interest due on the relevant ACSM Deferred Interest Payment Date or the Redemption Date, as the case may be, is available on the Business Day prior to such ACSM Deferred Interest Payment Date or such Redemption Date, as the case may be, to make the Deferred Interest payments in full on the ACSM Deferred Interest Payment Date or the Redemption Date; *provided* that if, despite the operation of the above provisions, such a shortfall exists on the Business Day preceding the ACSM Deferred Interest Payment Date or the Redemption Date, the Issuer may, subject to having the necessary corporate authorisations in place, continue to issue and allot Ordinary Shares until the Trustee or its agent (or the Issue and Paying Agent) shall have received funds on behalf of the Issuer equal to the full amount of such shortfall and *provided further* that no Deferred Interest shall be made to a Holder and no ACSM Note shall be redeemed until the Issuer is able to pay a sum at least equal to the aggregate amount of Deferred Interest in full in accordance with the Alternative Coupon Satisfaction Mechanism on the ACSM Deferred Interest Payment Date or, as the case may be, the Redemption Date. For the avoidance of doubt, the ACSM Deferred Interest Payment Date as set out in the applicable notice or the Redemption Date as set out in the redemption notice shall be deferred until the date the payment of Deferred Interest can be so made in full;

- (vii) the Issuer shall transfer or arrange for the transfer of the issue proceeds raised from the operation of the provisions set out in Condition 4.3(a)(iii)-(vi), together with any amounts the Issuer would otherwise pay other than out of issue proceeds to make up for any shortfall, to satisfy the aggregate amount of Deferred Interest to the Trustee or its agent (or the Issue and Paying Agent) on the Business Day preceding the ACSM Deferred Interest Payment Date or the Redemption Date for payment by the Trustee or its agent (or the Issue and Paying Agent), on the relevant ACSM Deferred Interest Payment Date or the Redemption Date, towards the satisfaction on behalf of the Issuer of the aggregate amount of Deferred Interest; and
- (viii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the amount required to pay the applicable Deferred Interest plus the claims for the fees, costs and expenses to be borne by the Issuer in connection with using the Alternative Coupon Satisfaction Mechanism, any remaining proceeds shall be paid to the Issuer.

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

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

(b) Sufficiency and Availability of Ordinary Shares

The ability of the Issuer to use the Alternative Coupon Satisfaction Mechanism to satisfy its payment of Deferred Interest on an ACSM Deferred Interest Payment Date, on a Redemption Date or prior to the purchase of the ACSM Notes by or on behalf of the Issuer is subject to the following conditions:

- (i) the procedure will only be activated if the Issuer has given the applicable notice as set out in Condition 4.3(a)(i) and at that time there are Deferred Interest payments to be satisfied;
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares (*which is, as at 19 December, 2012, five pence per share*); and
- (iii) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

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

The Issuer may not redeem any ACSM Notes unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest payments, if any, are satisfied at the same time. In the event that the Issuer does not have the necessary

authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares to implement the Alternative Coupon Satisfaction Mechanism and the Issuer does not otherwise make a payment on the relevant Redemption Date other than out of funds raised from the issue proceeds to satisfy the aggregate amount of Deferred Interest, then the ACSM Deferred Interest Payment Date or the Redemption Date (as applicable) shall be deferred until such time, subject as provided in Condition 7.6, as the Directors of the Issuer shall have the necessary authority to issue sufficient Ordinary Shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Such deferral shall not constitute a Default.

In addition, if the Issuer is unable to make payment in full of all Deferred Interest due to be paid on an ACSM Deferred Interest Payment Date or the Redemption Date because it does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares or for any other reason, interest will accrue on such Deferred Interest from (and including) the initial ACSM Deferred Interest Payment Date or the initial Redemption Date (as applicable) to (but excluding) the date such Deferred Interest is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

(c) Market Disruption Event

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

4.4 *No default in respect of Deferred Interest provisions*

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made on Notes by virtue of Condition 4, as appropriate, shall not constitute a default for any purpose (including, but without limitation, Condition 10) on the part of the Issuer.

4.5 *Dividend and Capital Restriction*

In relation to Notes in respect of which Dividend and Capital Restriction is specified in the Final Terms, from and including an Interest Payment Date on which the Issuer does not make payment in full of all interest payments to be paid on such date or any Interest Payment Date on which the Solvency Condition and/or the Solvency Capital Requirement is not met, the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to Ordinary Shares prior to the date that the decision to defer such interest payment is made; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case unless or until all Deferred Interest or, as the case may be, all Arrears of Interest has been received by the Holders or the Trustee.

In relation to ACSM Notes only, following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described above in Condition 4.3(b), the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.9; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

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

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

## **5. INTEREST**

### *5A Interest on Fixed Rate Notes*

Subject to Conditions 3.1, 3.2 and 4, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) (as specified in the Final Terms).

If the Notes are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, subject to Condition 4, amount to the Fixed Coupon Amount. Payment of any Broken Amount will, subject to Condition 4, be made on the Interest Payment Date so specified in the Final Terms.

As used in these Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

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

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

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

- (i) if “Actual/Actual (ICMA)” is specified in the Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

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

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

## *5B Interest on Reset Notes*

### *5B.1 Rates of interest*

Subject to Conditions 3.1, 3.2 and 4, each Reset Note bears interest:

- (A) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (B) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Issue and Paying Agent on the relevant Reset Determination Date in accordance with this Condition 5B,

payable, in each case, in arrear on the Interest Payment Dates(s) (as specified in the Final Terms).

As used in these Conditions:

“Mid Swap Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

“Mid Swap Rate” means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Issue and Paying Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term of equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Issue and Paying Agent).

“Reference Bond” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“Reference Bond Price” means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Issue and Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Government Bond Dealer” means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Issue and Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Issue and Paying Agent by such Reference Government Bond Dealer.

"Reset Determination Date" means for each Reset Period the date as specified in the Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

"Reset Period" means the period from (and including) the first Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date (if any).

"Subsequent Reset Rate" for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

"Subsequent Reset Reference Rate" means either:

- (A) if "Mid Swaps" is specified in the Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (B) if "Reference Bond" is specified in the Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

- (A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or
- (B) in the case of Reset Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"Day Count Fraction" and related definitions have the meanings given in Condition 5A.

#### *5B.2 Subsequent Reset Rate Screen Page*

If the Subsequent Reset Rate Screen Page is not available, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Issue and Paying Agent. If on any Reset Determination Date



only one or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

For the purposes of this Condition 5B.2 “Reference Banks” means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

#### *5B.3 Notification of Subsequent Reset Rate and Interest Amounts*

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

#### *5B.4 Determination or Calculation by Trustee*

If for any reason at any relevant time, the Issue and Paying Agent defaults in its obligation to determine the Subsequent Reset Rate or to calculate any Interest Amount in accordance with Condition 5B.1 or 5B.2, the Trustee shall determine the Subsequent Reset Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

#### *5B.5 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 5B, whether by the Issue and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5C Interest on Floating Rate Notes*

##### *5C.1 Interest Payment Dates*

Subject to Conditions 3.1, 3.2 and 4, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the Final Terms; or

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

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

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

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

In these Conditions, "Business Day" means a day which is both:

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

#### 5C.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

### 5C.3 ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5C.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of 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 (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this Condition 5C.3, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

### 5C.4 Screen Rate Determination for Floating Rate Notes

#### A. *Floating Rate Notes other than EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes*

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

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

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

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant 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 the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) 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, at approximately the Relevant 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 the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), 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 is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5C.4A:

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market; in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and, in the case of a determination of a Reference Rate other than LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Issue and Paying Agent.

“Reference Rate” means, as specified in the Final Terms, (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Singapore interbank offered rate (“SIBOR”), (iv) the Tokyo interbank offered rate (“TIBOR”), (v) the Hong Kong interbank offered rate (“HIBOR”) or (vi) the bank rate of the Bank of England (the “Bank of England Base Rate”), in each case for the relevant currency and for the relevant period (if applicable), as specified for each in the Final Terms.

“Relevant Financial Centre” means the financial centre specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of a determination of SIBOR, Singapore, (iv) in the case of a determination of TIBOR, Tokyo, (v) in the case of a determination of HIBOR, Hong Kong or (vi) in the case of a determination of the Bank of England Base Rate, London.

“Relevant Time” means the time specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, 11.00 a.m., (ii) in the case of a determination of EURIBOR, 11.00 a.m., (iii) in the case of a determination of SIBOR, 11.00 a.m., (iv) in the case of a determination of TIBOR, 11.00 a.m. (v) in the case of a determination of HIBOR, 11.00 a.m. or (vi) in the case of a determination of the Bank of England Base Rate, 11.00 a.m., in each case in the Relevant Financial Centre.

*B. Floating Rate Notes which are EONIA Linked Interest Notes*

Where the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest ten-thousandths of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with provisions set out below and the following formula:

Capitalised EONIA + Margin

As used above:

“Capitalised EONIA” means the resultant figure of the following formula:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{EONIA_i \times n_1}{360} \right) - 1 \right] \times \frac{360}{d}$$

“ $d_0$ ” means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period.

“ $i$ ” means a series of whole numbers from one to  $d_0$ , each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period.

“ $EONIA_i$ ” means, for any day “ $i$ ” in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

“ $n_1$ ” means the number of calendar days in the relevant Interest Period.

“ $d$ ” means the number of calendar days in the relevant Interest Period.

“Margin” has the meaning specified in the Final Terms.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters Screen EONIA Page or any successor.

“TARGET Business Day” means a day on which the TARGET2 System is open.

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in  $EONIA_i$  appears for any reason for any day “ $i$ ” on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine  $EONIA_i$  for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*C. Floating Rate Notes which are SONIA Linked Interest Notes*

Where the Reference Rate is specified as being SONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}}$$

where:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}} = \frac{365}{D} \times \left[ \prod_{i=1}^{D_0} \left( 1 + \frac{(r_i) \times d_i}{365} \right) - 1 \right]$$

As used above:

“D” means the number of calendar days in the relevant Observation Period.

“D<sub>0</sub>” means the number of London Business Days in the relevant Observation Period.

“i” means a series of whole numbers from one to D<sub>0</sub>, each representing the relevant London Business Days in chronological order from, and including, the first London Business Day in the relevant Observation Period.

“r<sub>i</sub>” means, for any London Business Day *i* in the relevant Observation Period, the SONIA rate in respect of such London Business Day plus the Margin.

“d<sub>i</sub>” means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

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

“Margin” has the meaning specified in the Final Terms.

“Observation Period” means, in respect of an Interest Period, the period from, and including, 5 London Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending, but excluding, 5 London Business Days prior to the Interest Payment Date for such Interest Period (and the last Interest Period shall end on but exclude the Maturity Date).

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters page SONIA 1 or any successor.

“SONIA rate” means, in respect of a London Business Day, the effective reference rate equal to the overnight interest rate (published as a percentage to four decimal places) calculated by the Wholesale Market Bankers’ Association as a weighted average of all overnight unsecured lending transactions in Sterling in the interbank market, initiated within London by the contributing panel banks which appears on the Relevant Screen Page as of 7.00 p.m. (Central European time) on such London Business Day, all as determined by the Calculation Agent.

If, at any such time, the Calculation Agent determines that either the Relevant Screen Page is not available or that no such quotation appears, the Calculation Agent will determine the SONIA rate for such time and London Business Day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*D. Floating Rate Notes which are Federal Funds Rate Linked Interest Notes*

Where the Reference Rate is specified as being the Federal Funds Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below as the Weighted Average of the U.S. Federal Funds Rate.

As used above:

“Weighted Average of the U.S. Federal Funds Rate” means D1/D2.

Where:

“D1” means, in respect of an Interest Period, the sum of the Relevant Rates for each calendar day in such Interest Period. For any calendar day in the relevant Interest Period that is an Interest Determination Date, the “Relevant Rate” is the U.S. Federal Funds Rate on such Interest Determination Date. For any calendar day in such Interest Period that is not an Interest Determination Date, the Relevant Rate for such calendar day shall be the Relevant Rate on the immediately preceding Interest Determination Date.

“D2” shall mean the number of calendar days in the Interest Period.

“Interest Determination Date” means, in respect of an Interest Reset Date, the first New York City Banking Day prior to such Interest Reset Date.

“Interest Rate Cut Off Date” means, in respect of an Interest Period, the fourth New York City Banking Day prior to the Interest Payment Date on which such Interest Period ends.

“Interest Reset Date” means, in respect of an Interest Period, each New York City Banking Day in such Interest Period up to and including the Interest Rate Cut Off Date.

“New York City Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

“U.S. Federal Funds Rate” means, in respect of an Interest Determination Date, the rate for U.S. dollar federal funds on such Interest Determination Date as published in H.15(519) under the caption “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption “EFFECT” (or any other page as may replace the specified page on that service) (“FEDFUNDS1 Page”).

If the U.S. Federal Funds Rate for an Interest Determination Date does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, in respect of such Interest Determination Date, the U.S. Federal Funds Rate for such Interest Determination Date shall be as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption “Federal funds (effective)”. If the U.S. Federal Funds Rate is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, the U.S. Federal Funds Rate with respect to such Interest Determination Date shall be the U.S. Federal Funds Rate for the first preceding day for which the U.S. Federal Funds Rate is set forth in H.15(519) opposite the caption “Federal funds (effective)”, as the U.S. Federal Funds Rate is displayed on the FEDFUNDS1 Page.

*E. Floating Rate Notes which are CMS Linked Interest Notes*

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

CMS Rate + Margin

As used above:

“CMS Rate” shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, 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).

For this purpose:

"Margin" has the meaning specified in the Final Terms.

“Reference Banks” means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

“Relevant Screen Page” has the meaning specified in the Final Terms.

“Relevant Swap Rate” means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant



Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

“Relevant Time” has the meaning specified in the Final Terms.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

#### *5C.5 Minimum Rate of Interest and/or Maximum Rate of Interest*

If the Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### *5C.6 Determination of Rate of Interest and calculation of Interest Amounts*

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded

upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount 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 without any further rounding.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

#### 5C.7 Notification of Rate of Interest and Interest Amounts

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate

alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or are for the time being listed or by which they have been admitted to listing and to the Holders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

#### *5C.8 Determination or Calculation by Trustee*

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with Condition 5C.3 or 5C.4, as the case may be, and in each case in accordance with Condition 5C.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5C, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

#### *5C.9 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 5C, whether by the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5D Accrual of interest*

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

## **6. PAYMENTS**

### *6.1 Method of payment*

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and which, in the case of a payment on a Note in bearer form for U.S. federal income tax purposes, shall be an account outside the United States, except as may be permitted by United States federal income tax law) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (in no event, however, shall payment in

respect of a Note in bearer form for U.S. federal income tax purposes be made by cheque mailed to an address in the United States); and

- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase “fiscal or other laws or regulations” shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

## 6.2 *Presentation of Bearer Notes and Coupons*

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

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

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

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

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case

may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as applicable.

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

### 6.3 *U.S. Paying Agent*

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

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

### 6.4 *Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the nominal amount of the Registered

Notes held by a Holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency) payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a Holder with a Designated Bank and identified as such in the register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

#### 6.5 *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (in the case of Notes in definitive form only), London and each Additional Financial Centre specified in the Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## 6.6 *Interpretation of principal and interest*

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

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

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

## **7. REDEMPTION, VARIATION, SUBSTITUTION, CONVERSION AND PURCHASE**

### *7.1 Redemption of Notes at Maturity*

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

In respect of any ACSM Notes, the Issuer may elect to satisfy its obligation to pay any Deferred Interest due upon a redemption in accordance with the Alternative Coupon Satisfaction Mechanism.

### *7.2 Conditions to redemption, variation, substitution, conversion and purchase*

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem, vary, substitute, convert or purchase any Notes, as described above under Condition 7.1 or below under any of Condition 7.3, 7.4, 7.5A or 7.5B, 7.7, 7.8, 7.9 or 7.10, unless the Issuer has given six months' prior notice to the FSA (or such other period of notice, if any, as the FSA may from time to time require) and, to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital at the time of such redemption, variation, substitution or purchase, the FSA has given its prior approval or consented in the form of a waiver or otherwise to such redemption, variation, substitution, conversion or purchase.

Redemption may only be effected if on, and immediately following, the relevant Redemption Date, the Issuer is in compliance with the Regulatory Capital Requirement, the Solvency Condition is met and the Solvency Capital Requirement is met or, in each case, as otherwise permitted by the FSA. The FSA may impose conditions on any redemption or purchase at the relevant time.

### *7.3 Issuer's Call Option*

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at its option, if specified in the Final Terms, on any Optional Redemption Date.



#### *7.4 Tax Event Redemption*

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

Except as otherwise indicated to the Issuer by the FSA or otherwise provided for in the Final Terms, the Issuer may not redeem the Notes upon the occurrence of a Tax Event prior to any Optional Redemption Date unless such Tax Event is also a Par Tax Event.

#### *7.5A Regulatory Event Redemption*

This Condition 7.5A shall apply to the Notes only if Regulatory Event Redemption is specified as being applicable in the Final Terms.

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

#### *7.5B Regulatory Event Redemption and Regulatory Event Refinancing Option*

This Condition 7.5B shall apply to the Notes only if Regulatory Event Redemption and Regulatory Event Refinancing Option is specified as being applicable in the Final Terms.

Subject as provided in these Conditions, the Issuer may, at any time upon the occurrence of a Regulatory Event, at its sole discretion:

- (a) redeem the Notes in whole (but not in part); or
- (b) substitute the Notes in whole (but not in part) for, or vary these Conditions and/or the terms of the Trust Deed such that they are treated as, an issue of Qualifying Tier 2 Capital.

The Trustee shall use its reasonable endeavours to assist the Issuer in substitution or variation of the Notes in accordance with this Condition 7.5B, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

#### *7.6 Redemption Procedures*

Any redemption under Condition 7.3, 7.4, 7.5A or 7.5B or substitution or variation under Condition 7.5B above may be made on not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14.

If the Notes are redeemed at the Issuer's option pursuant to Condition 7.3, such Notes shall be redeemed on any Optional Redemption Date at their Optional Redemption Amount together with accrued interest (including any interest not paid on a Compulsory Interest Payment Date (if applicable)) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4, 7.5A or 7.5B on the occurrence of a Par Tax Event or a Regulatory Event, the Notes may be redeemed at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at (i) in the case of a Par Tax Event at any time or a Regulatory Event occurring on or after the Optional Redemption Date, at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event occurring prior to the Optional Redemption Date, at the outstanding principal amount of the Notes or at

their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4 on the occurrence of an Other Tax Event, the Notes may be redeemed on or after the Optional Redemption Date at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

In the case of ACSM Notes, the Issuer may elect to satisfy its obligation to pay any Deferred Interest due upon redemption in accordance with the Alternative Coupon Satisfaction Mechanism.

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

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

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.6:

“Determination Agent” means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

“FA Selected Bond” means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to (i) the Maturity Date or (ii) if an Optional Redemption Date is specified in the Final Terms, the first Optional Redemption Date of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to (i) the Maturity Date or (ii) if an Optional Redemption Date is specified in the Final Terms, the first Optional Redemption Date of the Notes.

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

“Redemption Margin” shall be as set out in the Final Terms.

“Reference Bond” shall be as set out in the Final Terms or the FA Selected Bond.

“Reference Bond Price” means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Bond Rate” means, with respect to any Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date.

“Reference Date” will be set out in the relevant notice of redemption.

“Reference Government Bond Dealer” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest (assuming each such scheduled interest payment to be due in full) on such Note for the remaining term to (i) the Maturity Date or (ii) if an Optional Redemption Date is specified in the Final Terms, the first Optional Redemption Date of such Note determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

#### *7.7 Postponement of Redemption Date – Solvency Capital Requirement*

If redemption of the Notes does not occur on the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement on, and immediately following, the relevant Redemption Date, the Notes shall be redeemed at their principal amount or, if applicable, the Make Whole Redemption Price upon the earlier of:

- (a) the date falling 10 Business Days after the date on which the FSA has notified the Issuer of its waiver of the suspension of or agreement to the repayment or redemption of the Notes (which notification by the FSA shall be notified to the Holders not less than 7 days prior to the new Redemption Date); and
- (b) the date on which an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable).

No interest will accrue on any amounts not paid on the Notes due to the Issuer not being in compliance with the Solvency Capital Requirement, provided, however, that interest will accrue at the rate of interest specified in Condition 5 in accordance with their terms on such amounts from (and including) the 14th day following the date on which such amounts become due and payable as set out in paragraph (a) or (b) above to (but excluding) the date on which such amounts are paid. Any postponement of the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement shall not constitute a Default.

#### *7.8 Postponement of Redemption Date – Market Disruption Event*

This Condition 7.8 shall apply to ACSM Notes only.

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

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

#### *7.9 Suspension*

This Condition 7.9 shall apply to ACSM Notes only.

Following any takeover offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement in which the company, which immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 14, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent whereupon the operation of the Alternative Coupon Satisfaction Mechanism shall be suspended (such event being a "Suspension"). In such event, the Issuer may, following a Permitted Restructuring, request the Trustee to agree to a Permitted Restructuring Arrangement and the Trustee shall,

if the conditions to such Permitted Restructuring Arrangement are satisfied, agree to give effect to such Permitted Restructuring Arrangement (provided that the Trustee is satisfied that the Permitted Restructuring Arrangement does not impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured to its satisfaction). Unless such event is a Permitted Restructuring and a Permitted Restructuring Arrangement is or will be put into place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank or financial institution appointed by the Issuer (at the expense of the Issuer) and approved by the Trustee will determine what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate or necessary in order (i) to replicate the Alternative Coupon Satisfaction Mechanism in the context of the capital structure of the new Ultimate Owner and (ii) to preserve substantially the financial and economic effect for the Holders of a holding in the Notes. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank or financial institution, the Trustee and the Issuer shall, without the consent of the Holders but subject to the consent of the new Ultimate Owner, effect such amendments and any necessary consequential changes to these Conditions, the Trust Deed and any other relevant documents. Any such amendments shall be subject to the requirements that:

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

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

Upon the occurrence of a Definitive Suspension, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders, in accordance with Condition 14, convert the Notes in whole (but not in part) to another series of notes constituting Qualifying Tier 2 Capital.

On any conversion in accordance with this Condition 7.9, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in conversion of the Notes in accordance with this Condition 7.9, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for such other series of notes

constituting Qualifying Tier 2 Capital, the Issuer may elect to redeem the ACSM Notes as provided in this Condition 7.9.

If, following a Definitive Suspension, the FSA (to the extent required) fails to give its consent or approval to the proposal by the Issuer to convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for such other series of notes constituting Qualifying Tier 2 Capital as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital, then, subject, in each case, to compliance with applicable regulatory requirements and Condition 7.2 and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the ACSM Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date (if and so long as this ACSM Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as this ACSM Note is a Floating Rate Note) occurring on or after the Optional Redemption Date, their principal amount and, in respect of any redemption occurring prior to the Optional Redemption Date, at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

#### *7.10 Purchases*

The Issuer and any of its Subsidiaries may, subject to Condition 7.2, at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

#### *7.11 Cancellation*

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

### **8. TAXATION**

All payments of principal and interest (including payments of Deferred Interest or, as the case may be, Arrears of Interest and all payments satisfied by operation of the Alternative Coupon Satisfaction Mechanism) in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

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

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

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

## **9. PRESCRIPTION**

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

10.1 Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3.1 and 3.2, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition or the Solvency Capital Requirement is not satisfied, at the time of and immediately after any such payment. Also, in the case of any payment of interest in respect of any Notes, such payment will not be due if the Issuer has elected to defer that payment pursuant to Condition 4 or in the circumstances referred to in Condition 4.3(b) and (c) where a payment is deferred and such deferral is stipulated as not a Default.

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

10.2 If a Default occurs and is continuing, the Trustee may, notwithstanding the provisions of Condition 10.4, institute proceedings for the winding-up in England and Wales (but not elsewhere) of

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

- 10.3 If an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the Dated Tier 2 Notes, the Trustee may, subject as provided below, give notice to the Issuer that the Dated Tier 2 Notes are, and they shall accordingly forthwith become, immediately due and repayable at an amount equal to their principal amount outstanding together with any Arrears of Interest and any accrued interest as provided in the Trust Deed.
- 10.4 Without prejudice to Condition 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer relating to or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.4 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from or under the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).
- 10.5 The Trustee shall not be bound to take any of the actions referred to in Condition 10.2, 10.3 or 10.4 above against the Issuer to enforce the terms of the Trust Deed, the relevant Notes or the relevant Coupons or to take any other action under the Trust Deed unless: (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed.
- 10.6 No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up in England and Wales of the Issuer or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure is continuing, in which case a Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.
- 10.7 No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Holder, whether for the recovery of amounts owing in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom.

## **11. REPLACEMENT OF NOTES, COUPONS AND TALONS**

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



## 12. PAYING AGENTS

The names of the initial Paying Agents and their specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it maintains a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, the Directive (as defined in Condition 8); and
- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes and Coupons (so long as there is such a jurisdiction).

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Notice of any variation, termination, appointment or change in Paying Agents will be given to Holders promptly by the Issuer in accordance with Condition 14.

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

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

### **13. EXCHANGE OF TALONS**

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

### **14. NOTICES**

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

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

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

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

#### *15.1 Meetings*

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

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

### *15.2 Modifications*

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee is proven provided that, in the case of a modification, the Issuer has given one month's prior notice to the FSA and the FSA has consented to or approved such modification, to the extent that consent or approval to such modification is required.

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

### *15.3 Substitution*

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

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

### *15.4 Exercise of Trustee's powers and discretions*

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

## **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a

single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of the notes of other series in circumstances where the Trustee so decides.

## 17. DEFINITIONS

In these Conditions:

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

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

“ACSM Deferred Interest Payment Date” means a date, prior to the Redemption Date, upon which the Issuer has elected to make payment of Deferred Interest in accordance with Condition 4.3;

“ACSM Notes” means Notes in respect of which the Alternative Coupon Satisfaction Mechanism applies (as specified in the Final Terms);

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

“Arrears of Interest” means, in the case of Non-ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1A or Condition 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8 and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met, and which has not been satisfied;

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

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

“Capital Adequacy Condition” means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer’s wholly-owned subsidiary (“Prudential Assurance”), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Dated Tier 2 Senior Creditors by at least 125% or such percentage specified by the FSA as the Regulatory Capital Requirement applicable to Prudential Assurance (*as at 31 December, 2011, approximately 13%*); or

- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

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

"Compulsory Interest Payment Date" means, in respect of Option A Notes, each Interest Payment Date (a) on which the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so and (b) that is not an Optional Interest Payment Date;

"Dated Tier 2 Senior Creditors" means any creditors of the Issuer who are unsubordinated creditors of the Issuer;

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

- (a) the Issuer fails to pay the amount due to satisfy any interest payment which has not been deferred, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and any Deferred Interest or Arrears of Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

"Deferred Interest" means in the case of ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1A or Condition 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8 and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met, and which has not been satisfied;

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

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

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

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

"Group" means the Issuer and its Subsidiaries;

"Holding Company Shares" means the ordinary shares of the New Holding Company;

"Initial Rate of Interest" has the meaning specified in the Final Terms;

“insurance undertaking” has the meaning given to such term in the Solvency II Directive;

“Junior Securities” means the Ordinary Shares, other Tier 1 Capital of the Issuer, Upper Tier 2 Capital of the Issuer and any other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank, as regards distribution on a return of assets on a winding-up of the Issuer or in respect of distributions or payments of dividends or any other payments thereon, after the Notes;

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

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

“Make Whole Redemption Price” means, as specified in the Final Terms, (i) the Spens Amount, calculated in accordance with Condition 7.6, (ii) the Make Whole Redemption Amount, calculated in accordance with Condition 7.6, or (iii) the amount per Calculation Amount specified in the Final Terms;

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

“Mid Swap Maturity” has the meaning specified in the Final Terms;

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

“Non-ACSM Notes” means notes to which the Alternative Coupon Satisfaction Mechanism does not apply (as specified in the Final Terms);

“Optional Interest Payment Date” has the meaning given to that term in Condition 4.1A;

“Optional Redemption Amount” means the amount so specified in the Final Terms;

“Optional Redemption Date” means the date so specified in the Final Terms;

“Option A Notes” means any Notes so specified in the Final Terms;

“Option B Notes” means any Notes so specified in the Final Terms;

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

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

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

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

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

“Permitted Restructuring Arrangement” means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each ACSM Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and by Moody’s Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

“Qualifying Tier 2 Capital” means notes that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 4.5 (if applicable), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and certified by two Directors of the Issuer to the Trustee, provided that they shall:
  - (i) contain terms which comply with then current requirements of the FSA in relation to Lower Tier 2 Capital or, following implementation of the Solvency II Regulations, Tier 2 Capital;
  - (ii) bear the same rate of interest from time to time applying to the Notes, but not necessarily having provisions analogous to the provisions of Condition 4.3 (if applicable), and preserve the Interest Payment Dates;
  - (iii) 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 applying to the Notes;

- (iv) rank at least *pari passu* with the Notes;
  - (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 2 Capital may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A or Condition 7.5B and subject to the same conditions as those set out in Condition 7.2);
  - (vi) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 2 Capital or conversion of such Qualifying Tier 2 Capital into Ordinary Shares; and
  - (vii) preserve any existing rights under these Conditions to any Deferred Interest or, as the case may be, Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid; and
- (b) are listed or admitted to trading on a Recognised Stock Exchange;

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

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

“Regulatory Assets” means the assets eligible to satisfy the Regulatory Capital Requirement;

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

A “Regulatory Event” is deemed to have occurred if:

- (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or
- (b) at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group is required under any Regulatory Capital Requirement to have Tier 2 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Lower Tier 2 Capital of the Issuer on a solo and/or consolidated basis; or
- (c) a Solvency II Capital Disqualification Event occurs;

“Reset Date(s)” means the date(s) specified in the Final Terms;

“Reset Determination Date(s)” means the date(s) specified in the Final Terms;

“Reset Margin” means the margin specified in the Final Terms;



“Reset Period” has the meaning set out in Condition 5B.1;

“Solvency Capital Requirement” means, following the implementation of the Solvency II Directive and the Solvency II Regulations, the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group referred to in, or any other minimum capital requirement howsoever described in, the Solvency II Directive or the Solvency II Regulations;

“Solvency Condition” has the meaning set forth in Condition 3.1;

A “Solvency II Capital Disqualification Event” is deemed to have occurred if:

- (a) the Notes are no longer capable of counting either:
  - (i) as cover for capital requirements or treated as tier 2 “own funds” (howsoever described in the Directives, the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
  - (ii) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
- (b) the entire principal amount of the Notes outstanding at such time is no longer capable of counting either:
  - (i) as cover for capital requirements or treated as tier 2 “own funds” (howsoever described in the Directives, the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
  - (ii) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis,

as a result of transitional or grandfathering provisions under the Directives, the Solvency II Directive or the Solvency II Regulations,

except where such non-qualification is as a result of any other applicable limitation on the amount of such capital;

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

“Solvency II Regulations” means the rules and regulations of the FSA implementing the Solvency II Directive that require the Issuer or any of the Issuer’s EEA Insurance Subsidiaries to meet a Solvency Capital Requirement including, without limitation, pursuant to the Solvency II Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Solvency II Directive;

“Subsequent Reset Rate” has the meaning set out in Condition 5B.1;

“Subsequent Reset Rate Screen Page” has the meaning specified in the Final Terms;

“Subsequent Reset Rate Time” has the meaning specified in the Final Terms;

“Subsequent Reset Reference Rate(s)” has the meaning(s) specified in the Final Terms;

“Subsidiary” means a subsidiary undertaking within the meaning set out in section 1162 of the Companies Act 2006;

“Tax Event” means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest or Arrears of Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest or Arrears of Interest on the next Interest Payment Date in respect of any Notes would be treated as “distributions” within the meaning of section 1000 of the Corporation Tax Act 2010 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest or Arrears of Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

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

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

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

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

## **18. GOVERNING LAW**

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

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## TERMS AND CONDITIONS OF UNDATED TIER 2 NOTES

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*The following, except for paragraphs in italics, are the Terms and Conditions of the Undated Tier 2 Notes (the "Notes") which, as completed in accordance with the provisions of Part A of the relevant Final Terms, will be applicable to each Tranche of Notes. Either: (i) the full text of these Terms and Conditions together with the relevant provisions of Part A of the Final Terms; or (ii) these Terms and Conditions as so completed, shall be endorsed on the Bearer Notes (as defined below) or on the certificates relating to the Registered Notes (as defined below). Certain provisions relating to such Notes while in global form, and certain modifications of these Terms and Conditions applicable to such Notes while in global form, are described in the section entitled "Provisions relating to the Notes while in Global Form".*

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 19 December, 2012 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions (these "Conditions") for the purposes of this Note. References to the "Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the London Stock Exchange's regulated market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the

Trustee or the Issue and Paying Agent as to the identity of such holder. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

## **1. FORM AND DENOMINATION**

### *1.1 Form*

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (Directive 2003/71/EC) (as amended), the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### *1.2 Coupons and Talons*

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

### *1.3 Interest Basis*

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include an EONIA Linked Interest Note, a SONIA Linked Interest Note, a Federal Funds Rate Linked Interest Note or a CMS Linked Interest Note if this Note is specified as such in the Final Terms), a Reset Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

### *1.4 Denomination of Bearer Notes*

Bearer Notes are in the Specified Denomination or Denominations specified in the Final Terms.

### *1.5 Denomination of Registered Notes*

Registered Notes are in the minimum Specified Denomination or Denominations specified in the Final Terms or integral multiples thereof.

### *1.6 Currency of Notes*

The Notes are denominated in the Specified Currency specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. TITLE AND TRANSFER**

### *2.1 Title to Bearer Notes*

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

### *2.2 Title to Registered Notes*

Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the “Holders” in relation to Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

### *2.3 Holder as Owner*

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

### *2.4 Transfer of Registered Notes*

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

### *2.5 New Registered Notes*

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar after the Record Date (as defined in Condition 6.4) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

- (a) “Relevant Banking Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
- (b) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.

### *2.6 No Charges upon Transfer*

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in relation thereto.

## 2.7 144A Legend

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the “144A Legend”) set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the 144A Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

## 2.8 Information to Holders

For so long as any of the Registered Notes bearing the 144A Legend remains outstanding and is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the “Securities Act”), the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents and the Registrar in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

## 3. STATUS OF THE NOTES

### 3.1 Status

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

The rights of Holders of the Notes and any relative Coupons against the Issuer to payment of any amounts under or arising from the Notes, any relative Coupons and the Trust Deed relating to them or arising therefrom are, in the event of the winding-up of the Issuer, subordinated in the manner provided in the Trust Deed to the claims of all Undated Tier 2 Senior Creditors, but shall rank at least *pari passu* with all other obligations of the Issuer which constitute or would, but for any applicable limitation on the amount of such capital, constitute Upper Tier 2 Capital and in priority to those whose claims constitute or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital and, subject to Condition 3.1(c), in priority to the claims of holders of all classes of share capital of the Issuer.

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee’s fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency

Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to all Undated Tier 2 Senior Creditors as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are not Undated Tier 2 Senior Creditors, by at least 4% or such other percentage specified by the FSA from time to time as the Regulatory Capital Requirement.

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

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

(b) *Solvency Claims*

Without prejudice to the rest of these Conditions, amounts representing payments of any amount under or arising from the Notes, any relative Coupons and the Trust Deed relating to them in respect of which the Solvency Condition and/or the Solvency Capital Requirement is or are not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3.1(c). A Solvency Claim shall not bear interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

(c) *Winding-up*

If at any time an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer, no amount will be payable on the Notes until all claims of the Undated Tier 2 Senior Creditors admitted in such winding-up have been satisfied in full. On a winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable), there shall be payable by the Issuer in respect of each of the Notes (in lieu of any other payment by the Issuer), such amount, if any, that would have been payable in respect thereof if on the day prior to the commencement of the winding-up and thereafter, the Holders were the holders of a notional class of preference shares (as at the date thereof) ("Notional Preference Shares") in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer and any notional class of shares in the capital of the Issuer by reference to which the claims of any person in a winding-up of the Issuer are to be determined (other than any notional class of shares of equal seniority with the Notional Preference Shares) on the assumption that such Notional Preference Shares were entitled (to the exclusion of all other rights and privileges) to receive as a return of capital in such winding-up an amount equal to the principal amount of the Notes then outstanding and any other amounts which are outstanding thereon including the aggregate amount of any accrued interest and any Deferred Interest or Arrears of

Interest, together with, to the extent not included within the foregoing, its *pro rata* share of any Solvency Claims attributable to the Notes.

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

### 3.2 Solvency Capital Requirement

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall, unless otherwise permitted by the FSA, be conditional upon the Issuer satisfying the Solvency Capital Requirement at the time of and immediately after any such payment, and, unless otherwise permitted by the FSA, the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Capital Requirement both at the time of and immediately after any such payment, redemption or purchase.

A report as to the Issuer's compliance with the Solvency Capital Requirement signed by two Directors of the Issuer or, if there is a winding-up of the Issuer in England and Wales, the liquidator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders of the Notes and any relative Coupons as correct and sufficient evidence thereof. If the Issuer fails to make any interest payment as a result of failure to satisfy the Solvency Capital Requirement, that payment will, in the case of ACSM Notes, constitute Deferred Interest and, in the case of Non-ACSM Notes, constitute Arrears of Interest until paid. In a winding-up, the amount payable on the Notes will be determined in accordance with the provisions described in Condition 3.1.

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

### 3.3 Set-off

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

## 4. DEFERRAL OF PAYMENTS

This Note may be an Option A Note or an Option B Note, as specified in the Final Terms. All Option A Notes shall be ACSM Notes, but an Option B Note may be an ACSM Note or a Non-ACSM Note.



#### 4.1A *Deferral of Interest – Option A Notes*

This Condition 4.1A shall apply to Option A Notes only.

- (a) Payments of interest on the Option A Notes will be mandatory on each Compulsory Interest Payment Date.
- (b) The Issuer may, by giving notice thereof to the Trustee and the Holders of the Option A Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date (an “Optional Interest Payment Date”) where it determines (by reference to the Issuer’s then current financial condition) at its sole discretion, on or after the 20th Business Day, but not later than the fifth Business Day, prior to such Interest Payment Date that:
  - (i) the Capital Adequacy Condition will not be met on such date; or
  - (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment.
- (c) Any interest payments that the Issuer does not make in respect of the Option A Notes on an Optional Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

#### 4.1B *Deferral of Interest – Option B Notes*

This Condition 4.1B shall apply to Option B Notes only.

- (a) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option B Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date.
- (b) Any interest payments that the Issuer does not make in respect of the Option B Notes on an Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute, in the case of Non-ACSM Notes, Arrears of Interest or, in the case of ACSM Notes, Deferred Interest. No interest will accrue on Arrears of Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

#### 4.2A *Arrears of Interest*

This Condition 4.2A shall apply in relation to Option B Notes in respect of which the Alternative Coupon Satisfaction Mechanism does not apply (as specified in the Final Terms) (“Non-ACSM Notes”) only.

At the option of the Issuer, but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Arrears of Interest will be payable in whole or in part (as specified in the notice given by the Issuer) at any time upon the Issuer giving not less than 7 days’ notice to the Trustee and the Holders in accordance with Condition 14. Arrears of Interest will become payable on the redemption of the Non-ACSM Notes or purchase of the Non-ACSM Notes by or on

behalf of the Issuer or, subject to the provisions of Condition 3.1, upon the commencement of the winding-up of the Issuer, but so that in the case of payment of only part of the Arrears of Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

#### *4.2B Deferred Interest*

This Condition 4.2B shall be applicable in relation to Option B Notes in respect of which the Alternative Coupon Satisfaction Mechanism applies (as specified in the Final Terms) and Option A Notes (“ACSM Notes”) only.

At the option of the Issuer’ but subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Deferred Interest will be payable in whole or in part (as specified in the notice given by the Issuer) at any time upon the Issuer giving not less than 7 days’ notice to the Trustee and the Holders in accordance with Condition 14. Deferred Interest will become payable on the redemption of the ACSM Notes or purchase of the ACSM Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.1, upon the commencement of the winding-up of the Issuer, but so that in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Subject to Condition 7.8, the Issuer may satisfy its obligation to pay Deferred Interest in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the ACSM Notes.

#### *4.3 Alternative Coupon Satisfaction Mechanism*

This Condition 4.3 shall be applicable to ACSM Notes only.

##### *(a) General*

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

The obligation of the Issuer to pay any Deferred Interest (should the Issuer so elect as described below) or, upon an ACSM Election, its obligation under any ACSM Note only to pay Current Interest due on any Interest Payment Date in accordance with the Alternative Coupon Satisfaction Mechanism will be satisfied as follows:

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest on an ACSM Deferred Interest Payment Date, the Issuer shall, in accordance with Condition 14, give notice to the Holders in accordance with Condition 4.1A or, as the case may be, Condition 4.1B. With respect to the payment by the Issuer of Deferred Interest on a Redemption Date, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.6, of the forthcoming Redemption Date. In order to effect an ACSM Election, the Issuer shall give notice to the Holders, in accordance with Condition 14, of its intention to pay interest in accordance with the Alternative Coupon Satisfaction Mechanism not later than 20 Business Days prior to an Interest Payment Date;
- (ii) not later than 14 Business Days prior to an ACSM Deferred Interest Payment Date or the Redemption Date or, upon an ACSM Election, not later than 14 Business Days prior to the relevant

Interest Payment Date, the ACSM Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the ACSM Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest or, upon an ACSM Election, the Current Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);

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

case of an ACSM Election) the Current Interest due on any Interest Payment Date can be so made in full;

- (vii) the Issuer shall transfer or arrange for the transfer of the issue proceeds raised from the operation of the provisions set out in Condition 4.3(a)(iii)-(vi), together with any amounts the Issuer would otherwise pay other than out of issue proceeds to make up for any shortfall, to satisfy the aggregate amount of Deferred Interest to the Trustee or its agent (or the Issue and Paying Agent) on the Business Day preceding the ACSM Deferred Interest Payment Date or the Redemption Date or, on an ACSM Election, on the Business Day preceding the relevant Interest Payment Date for payment by the Trustee or its agent (or the Issue and Paying Agent), on the relevant ACSM Deferred Interest Payment Date or the Redemption Date or such Interest Payment Date, towards the satisfaction on behalf of the Issuer of the aggregate amount of Deferred Interest or, in the case of an ACSM Election, Current Interest; and
- (viii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the amount required to pay the applicable Deferred Interest or Current Interest plus the claims for the fees, costs and expenses to be borne by the Issuer in connection with using the Alternative Coupon Satisfaction Mechanism, any remaining proceeds shall be paid to the Issuer.

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

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

(b) Sufficiency and Availability of Ordinary Shares

The ability of the Issuer to use the Alternative Coupon Satisfaction Mechanism to satisfy its payment of either Deferred Interest on an ACSM Deferred Interest Payment Date on a Redemption Date or prior to the purchase of the ACSM Notes by or on behalf of the Issuer, or Current Interest on any Interest Payment Date, is subject to the following conditions:

- (i) the procedure will only be activated if: (A) the Issuer has given the applicable notice as set out in Condition 4.3(a)(i) and at that time there are Deferred Interest payments to be satisfied; or (B) the Issuer elects to make a Current Interest payment in such manner by giving the applicable notice as set out in Condition 4.3(a)(i);
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares (*which is, as at 19 December, 2012, five pence per share*); and
- (iii) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

The Issuer will, for so long as any ACSM Notes remain outstanding, review its Ordinary Share price prior to each annual general meeting of its shareholders. If the Issuer determines as the result of any such review that the Directors of the Issuer do not have the necessary authority to allot and issue at that date a number of Ordinary Shares the purchase proceeds of which will be at least equal to the amount of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the

ACSM Notes, then at the next annual general meeting, the Issuer shall propose resolutions to increase the Directors' authority to allot and issue Ordinary Shares to the level that would enable the Issuer to issue at that date a sufficient number of Ordinary Shares to enable payment of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the Notes pursuant to the Alternative Coupon Satisfaction Mechanism.

The Issuer may not redeem any ACSM Notes unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest payments, if any, are satisfied at the same time. In the event that the Issuer does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares to implement the Alternative Coupon Satisfaction Mechanism and the Issuer does not otherwise make a payment on the relevant Redemption Date other than out of funds raised from the issue proceeds to satisfy the aggregate amount of Deferred Interest, then the ACSM Deferred Interest Payment Date or the Redemption Date (as applicable) shall be deferred until such time, subject as provided in Condition 7.6, as the Directors of the Issuer shall have the necessary authority to issue sufficient Ordinary Shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Such deferral shall not constitute a Default.

In addition, if the Issuer is unable to make payment in full of either all Deferred Interest due to be paid on an ACSM Deferred Interest Payment Date or the Redemption Date, or Current Interest on the applicable Interest Payment Date because it does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares or for any other reason, interest will accrue on such Deferred Interest or Current Interest from (and including) the initial ACSM Deferred Interest Payment Date or the initial Redemption Date (as applicable) or applicable Interest Payment Date, as the case may be, to (but excluding) the date such Deferred Interest or Current Interest, as the case may be, is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

(c) Market Disruption Event

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

4.4 *No default in respect of Deferred Interest provisions*

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made on Notes by virtue of Condition 4, as appropriate, shall not constitute a default for any purpose (including, but without limitation, Condition 10) on the part of the Issuer.

#### 4.5 *Dividend and Capital Restriction*

In relation to Notes in respect of which Dividend and Capital Restriction is specified in the Final Terms, from and including an Interest Payment Date on which the Issuer does not make payment in full of all interest payments to be paid on such date or any Interest Payment Date on which the Solvency Condition and/or the Solvency Capital Requirement is not met, the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to Ordinary Shares prior to the date that the decision to defer such interest payment is made; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case unless or until all Deferred Interest or, as the case may be, all Arrears of Interest has been received by the Holders or the Trustee.

In relation to ACSM Notes only, following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described above in Condition 4.3(b), the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.9; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

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

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

## **5. INTEREST**

### *5A Interest on Fixed Rate Notes*

Subject to Condition 3.1, 3.2 and 4, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) (as specified in the Final Terms).

If the Notes are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will,

subject to Condition 4, amount to the Fixed Coupon Amount. Payment of any Broken Amount will, subject to Condition 4, be made on the Interest Payment Date so specified in the Final Terms.

As used in these Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

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

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 5A:

- (i) if "Actual/Actual (ICMA)" is specified in the Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

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

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

*5B Interest on Reset Notes*

*5B.1 Rates of interest*

Subject to Conditions 3.1, 3.2 and 4, each Reset Note bears interest:

- (A) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (B) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Issue and Paying Agent on the relevant Reset Determination Date in accordance with this Condition 5B,

payable, in each case, in arrear on the Interest Payment Dates(s) (as specified in the Final Terms).

As used in these Conditions:

“Mid Swap Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

“Mid Swap Rate” means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Issue and Paying Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term of equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Issue and Paying Agent).

“Reference Bond” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“Reference Bond Price” means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Issue and Paying



Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Government Bond Dealer” means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Issue and Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Issue and Paying Agent by such Reference Government Bond Dealer.

“Reset Determination Date” means for each Reset Period the date as specified in the Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

“Reset Period” means the period from (and including) the first Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date (if any).

“Subsequent Reset Rate” for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

“Subsequent Reset Reference Rate” means either:

- (A) if “Mid Swaps” is specified in the Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (B) if “Reference Bond” is specified in the Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Issue and Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

- (A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or
- (B) in the case of Reset Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner

provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“Day Count Fraction” and related definitions have the meanings given in Condition 5A.

#### *5B.2 Subsequent Reset Rate Screen Page*

If the Subsequent Reset Rate Screen Page is not available, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Issue and Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

For the purposes of this Condition 5B.2 “Reference Banks” means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

#### *5B.3 Notification of Subsequent Reset Rate and Interest Amounts*

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

#### *5B.4 Determination or Calculation by Trustee*

If for any reason at any relevant time, the Issue and Paying Agent defaults in its obligation to determine the Subsequent Reset Rate or to calculate any Interest Amount in accordance with Condition 5B.1 or 5B.2, the Trustee shall determine the Subsequent Reset Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

#### *5B.5 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 5B, whether by the Issue and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the other Paying Agents, the Trustee and all Holders and

(in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## 5C Interest on Floating Rate Notes

### 5C.1 Interest Payment Dates

Subject to Condition 3.1, 3.2 and 4, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

In these Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the “TARGET2 System”) is open.

#### *5C.2 Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

#### *5C.3 ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5C.3, “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of 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 (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this Condition 5C.3, “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

#### *5C.4 Screen Rate Determination for Floating Rate Notes*

##### *A. Floating Rate Notes other than EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes*

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

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

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

Issue and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant 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 the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) 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, at approximately the Relevant 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 the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), 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 is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5C.4A:

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market; in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and, in the case of a determination of a Reference Rate other than LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Issue and Paying Agent.

“Reference Rate” means, as specified in the Final Terms, (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Singapore interbank offered rate (“SIBOR”), (iv) the Tokyo interbank offered rate (“TIBOR”), (v) the Hong Kong interbank offered rate (“HIBOR”) or (vi) the bank rate of the Bank of England (the “Bank of England Base Rate”), in each case for the relevant currency and for the relevant period (if applicable), as specified for each in the Final Terms.

“Relevant Financial Centre” means the financial centre specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of a determination of SIBOR, Singapore, (iv) in the case of a determination of TIBOR, Tokyo, (v) in the case of a determination of HIBOR, Hong Kong or (vi) in the case of a determination of the Bank of England Base Rate, London.

“Relevant Time” means the time specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, 11.00 a.m., (ii) in the case of a determination of EURIBOR, 11.00 a.m., (iii) in the case of a determination of SIBOR, 11.00 a.m., (iv) in the case of a determination of TIBOR, 11.00 a.m. (v) in the case of a determination of HIBOR, 11.00 a.m. or (vi) in the case of a determination of the Bank of England Base Rate, 11.00 a.m., in each case in the Relevant Financial Centre.

*B. Floating Rate Notes which are EONIA Linked Interest Notes*

Where the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest ten–thousandths of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with provisions set out below and the following formula:

Capitalised EONIA + Margin

As used above:

“Capitalised EONIA” means the resultant figure of the following formula:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{EONIA_1 \times n_1}{360} \right) - 1 \right] \times \frac{360}{d}$$

“ $d_0$ ” means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period.

“ $i$ ” means a series of whole numbers from one to  $d_0$ , each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period.

“ $EONIA_1$ ” means, for any day “ $i$ ” in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

“ $n_1$ ” means the number of calendar days in the relevant Interest Period.

“ $d$ ” means the number of calendar days in the relevant Interest Period.

“Margin” has the meaning specified in the Final Terms.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters Screen EONIA Page or any successor.

“TARGET Business Day” means a day on which the TARGET2 System is open.

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in  $EONIA_1$  appears for any reason for any day “ $i$ ” on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine  $EONIA_1$  for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

C. *Floating Rate Notes which are SONIA Linked Interest Notes*

Where the Reference Rate is specified as being SONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}}$$

where:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}} = \frac{365}{D} \times \left[ \prod_{i=1}^{D_0} \left( 1 + \frac{(r_i) \times d_i}{365} \right) - 1 \right]$$

As used above:

“D” means the number of calendar days in the relevant Observation Period.

“D<sub>0</sub>” means the number of London Business Days in the relevant Observation Period.

“i” means a series of whole numbers from one to D<sub>0</sub>, each representing the relevant London Business Days in chronological order from, and including, the first London Business Day in the relevant Observation Period.

“r<sub>i</sub>” means, for any London Business Day *i* in the relevant Observation Period, the SONIA rate in respect of such London Business Day plus the Margin.

“d<sub>i</sub>” means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

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

“Margin” has the meaning specified in the Final Terms.

“Observation Period” means, in respect of an Interest Period, the period from, and including, 5 London Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending, but excluding, 5 London Business Days prior to the Interest Payment Date for such Interest Period.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters page SONIA 1 or any successor.

“SONIA rate” means, in respect of a London Business Day, the effective reference rate equal to the overnight interest rate (published as a percentage to four decimal places) calculated by the Wholesale Market Bankers' Association as a weighted average of all overnight unsecured lending transactions in Sterling in the interbank market, initiated within London by the contributing panel banks which appears on the Relevant Screen Page as of 7.00 p.m. (Central European time) on such London Business Day, all as determined by the Calculation Agent.

If, at any such time, the Calculation Agent determines that either the Relevant Screen Page is not available or that no such quotation appears, the Calculation Agent will determine the SONIA rate for such time and London Business Day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*D. Floating Rate Notes which are Federal Funds Rate Linked Interest Notes*

Where the Reference Rate is specified as being the Federal Funds Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below as the Weighted Average of the U.S. Federal Funds Rate.

As used above:

“Weighted Average of the U.S. Federal Funds Rate” means  $D1/D2$ .

Where:

“D1” means, in respect of an Interest Period, the sum of the Relevant Rates for each calendar day in such Interest Period. For any calendar day in the relevant Interest Period that is an Interest Determination Date, the “Relevant Rate” is the U.S. Federal Funds Rate on such Interest Determination Date. For any calendar day in such Interest Period that is not an Interest Determination Date, the Relevant Rate for such calendar day shall be the Relevant Rate on the immediately preceding Interest Determination Date.

“D2” shall mean the number of calendar days in the Interest Period.

“Interest Determination Date” means, in respect of an Interest Reset Date, the first New York City Banking Day prior to such Interest Reset Date.

“Interest Rate Cut Off Date” means, in respect of an Interest Period, the fourth New York City Banking Day prior to the Interest Payment Date on which such Interest Period ends.

“Interest Reset Date” means, in respect of an Interest Period, each New York City Banking Day in such Interest Period up to and including the Interest Rate Cut Off Date.

“New York City Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

“U.S. Federal Funds Rate” means, in respect of an Interest Determination Date, the rate for U.S. dollar federal funds on such Interest Determination Date as published in H.15(519) under the caption “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption “EFFECT” (or any other page as may replace the specified page on that service) (“FEDFUNDS1 Page”).

If the U.S. Federal Funds Rate for an Interest Determination Date does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, in respect of such Interest Determination Date, the U.S. Federal Funds Rate for such Interest Determination Date shall be as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption “Federal funds (effective)”. If the U.S. Federal Funds Rate is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, the U.S. Federal Funds Rate with respect to such Interest Determination Date shall be the U.S. Federal Funds Rate for the first preceding day for which the U.S. Federal Funds Rate is set forth in H.15(519) opposite the caption “Federal funds (effective)”, as the U.S. Federal Funds Rate is displayed on the FEDFUNDS1 Page.



*E. Floating Rate Notes which are CMS Linked Interest Notes*

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

CMS Rate + Margin

As used above:

“CMS Rate” shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, 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).

For this purpose:

"Margin" has the meaning specified in the Final Terms.

“Reference Banks” means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

“Relevant Screen Page” has the meaning specified in the Final Terms.

“Relevant Swap Rate” means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest

Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

“Relevant Time” has the meaning specified in the Final Terms.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

#### *5C.5 Minimum Rate of Interest and/or Maximum Rate of Interest*

If the Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### *5C.6 Determination of Rate of Interest and calculation of Interest Amounts*

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the

Calculation Agent, will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount 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 without any further rounding.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

#### *5C.7 Notification of Rate of Interest and Interest Amounts*

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

#### *5C.8 Determination or Calculation by Trustee*

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with Condition 5C.3 or 5C.4, as the case may be, and in each case in accordance with Condition 5C.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5C, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

#### *5C.9 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 5C, whether by the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5D Accrual of interest*

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

## 6. PAYMENTS

### 6.1 *Method of payment*

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and which, in the case of a payment on a Note in bearer form for U.S. federal income tax purposes, shall be an account outside the United States, except as may be permitted by United States federal income tax law) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (in no event, however, shall payment in respect of a Note in bearer form for U.S. federal income tax purposes be made by cheque mailed to an address in the United States); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase “fiscal or other laws or regulations” shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

### 6.2 *Presentation of Bearer Notes and Coupons*

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

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

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as applicable.

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

### 6.3 *U.S. Paying Agent*

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

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

#### 6.4 *Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the nominal amount of the Registered Notes held by a Holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency) payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a Holder with a Designated Bank and identified as such in the register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

#### 6.5 *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:



- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (in the case of Notes in definitive form only), London and each Additional Financial Centre specified in the Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### **6.6** *Interpretation of principal and interest*

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

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

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

## **7. REDEMPTION, VARIATION, SUBSTITUTION, CONVERSION AND PURCHASE**

### **7.1** *Redemption of Notes*

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

In respect of any ACSM Notes, the Issuer may elect to satisfy its obligation to pay any Deferred Interest due upon a redemption in accordance with the Alternative Coupon Satisfaction Mechanism.

### **7.2** *Conditions to redemption, variation, substitution, conversion and purchase*

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem, vary, substitute, convert or purchase any Notes, as described below under Condition 7.3, 7.4, 7.5A or 7.5B, 7.7, 7.8, 7.9 or 7.10, unless the Issuer has given six months' prior notice to the FSA (or such other period of notice, if any, as the FSA may from time to time require) and, to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital at the time of such redemption, variation, substitution or

purchase, the FSA has given its prior approval or consented in the form of a waiver or otherwise to such redemption, variation, substitution, conversion or purchase.

Redemption may only be effected if on, and immediately following, the relevant Redemption Date, the Issuer is in compliance with the Regulatory Capital Requirement, the Solvency Condition is met and the Solvency Capital Requirement is met or, in each case, as otherwise permitted by the FSA. The FSA may impose conditions on any redemption or purchase at the relevant time.

### *7.3 Issuer's Call Option*

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at its option, if specified in the Final Terms, on any Optional Redemption Date.

### *7.4 Tax Event Redemption*

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

Except as otherwise indicated to the Issuer by the FSA or otherwise provided for in the Final Terms, the Issuer may not redeem the Notes upon the occurrence of a Tax Event prior to any Optional Redemption Date unless such Tax Event is also a Par Tax Event.

### *7.5A Regulatory Event Redemption*

This Condition 7.5A shall apply to the Notes only if Regulatory Event Redemption is specified as being applicable in the Final Terms.

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

### *7.5B Regulatory Event Redemption and Regulatory Event Refinancing Option*

This Condition 7.5B shall apply to the Notes only if Regulatory Event Redemption and Regulatory Event Refinancing Option is specified as being applicable in the Final Terms.

Subject as provided in these Conditions, the Issuer may, at any time upon the occurrence of a Regulatory Event, at its sole discretion:

- (a) redeem the Notes in whole (but not in part); or
- (b) substitute the Notes, in whole (but not in part) for or vary these Conditions and/or the terms of the Trust Deed such that they are treated as, an issue of Qualifying Tier 2 Capital.

The Trustee shall use its reasonable endeavours to assist the Issuer in substitution or variation of the Notes in accordance with this Condition 7.5B, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

### *7.6 Redemption Procedures*

Any redemption under Condition 7.3, 7.4, 7.5A or 7.5B or substitution or variation under Condition 7.5B above may be made on not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14.

If the Notes are redeemed at the Issuer's option pursuant to Condition 7.3, such Notes shall be redeemed on any Optional Redemption Date at their Optional Redemption Amount together with accrued interest (including any interest not paid on a Compulsory Interest Payment Date (if applicable)) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4, 7.5A or 7.5B on the occurrence of a Par Tax Event or a Regulatory Event, the Notes may be redeemed at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at (i) in the case of a Par Tax Event at any time or a Regulatory Event occurring on or after the Optional Redemption Date, at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event occurring prior to the Optional Redemption Date, at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4 on the occurrence of an Other Tax Event, the Notes may be redeemed on or after the Optional Redemption Date at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

In the case of ACSM Notes, the Issuer may elect to satisfy its obligation to pay any Deferred Interest due upon redemption in accordance with the Alternative Coupon Satisfaction Mechanism.

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

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

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.6:

“Determination Agent” means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

“FA Selected Bond” means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to the first Optional Redemption Date of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the first Optional Redemption Date of the Notes.

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

“Redemption Margin” shall be as set out in the Final Terms.

“Reference Bond” shall be as set out in the Final Terms or the FA Selected Bond.

“Reference Bond Price” means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Bond Rate” means, with respect to any Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date.

“Reference Date” will be set out in the relevant notice of redemption.

“Reference Government Bond Dealer” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal

amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest (assuming each such scheduled interest payment to be due in full) on such Note for the remaining term until the first Optional Redemption Date of such Note determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

#### *7.7 Postponement of Redemption Date – Solvency Capital Requirement*

If redemption of the Notes does not occur on the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement on, and immediately following, the relevant Redemption Date, the Notes shall be redeemed at their principal amount or, if applicable, the Make Whole Redemption Price upon the earlier of:

- (a) the date falling 10 Business Days after the date on which the FSA has notified the Issuer of its waiver of the suspension of or agreement to the repayment or redemption of the Notes (which notification by the FSA shall be notified to the Holders not less than 7 days prior to the new Redemption Date); and
- (b) the date on which an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable).

No interest will accrue on any amounts not paid on the Notes due to the Issuer not being in compliance with the Solvency Capital Requirement, provided, however, that interest will accrue at the rate of interest specified in Condition 5 in accordance with their terms on such amounts from (and including) the 14th day following the date on which such amounts become due and payable as set out in paragraph (a) or (b) above to (but excluding) the date on which such amounts are paid. Any postponement of the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement shall not constitute a Default.

#### *7.8 Postponement of Redemption Date – Market Disruption Event*

This Condition 7.8 shall apply to ACSM Notes only.

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

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

## 7.9 Suspension

This Condition 7.9 shall apply to ACSM Notes only.

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

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

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

Upon the occurrence of a Definitive Suspension, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders, in accordance with Condition 14, convert the Notes in whole (but not in part) to another series of notes constituting Qualifying Tier 2 Capital.

On any conversion in accordance with this Condition 7.9, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in conversion of the Notes in accordance with this Condition 7.9, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for such other series of notes constituting Qualifying Tier 2 Capital, the Issuer may elect to redeem the ACSM Notes as provided in this Condition 7.9.

If, following a Definitive Suspension, the FSA (to the extent required) fails to give its consent or approval to the proposal by the Issuer to convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for such other series of notes constituting Qualifying Tier 2 Capital as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital, then, subject, in each case, to compliance with applicable regulatory requirements and Condition 7.2 and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the ACSM Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date (if and so long as this ACSM Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as this ACSM Note is a Floating Rate Note) occurring on or after the Optional Redemption Date, their principal amount and, in respect of any redemption occurring prior to the Optional Redemption Date, at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

#### *7.10 Purchases*

The Issuer and any of its Subsidiaries may, subject to Condition 7.2, at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

#### *7.11 Cancellation*

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

### **8. TAXATION**

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

Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

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

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

## **9. PRESCRIPTION**

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

- 10.1 Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3.1 and 3.2, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition or the Solvency Capital Requirement is not satisfied, at the time of and immediately after any such payment. Also, in the case of any payment of interest in respect of any Notes, such payment will not be due if the Issuer has elected to defer that payment pursuant to



Condition 4 or in the circumstances referred to in Condition 4.3(b) and (c) where a payment is deferred and such deferral is stipulated as not a Default.

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

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

## **11. REPLACEMENT OF NOTES, COUPONS AND TALONS**

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

## 12. PAYING AGENTS

The names of the initial Paying Agents and their specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it maintains a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, the Directive (as defined in Condition 8); and
- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes and Coupons (so long as there is such a jurisdiction).

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Notice of any variation, termination, appointment or change in Paying Agents will be given to Holders promptly by the Issuer in accordance with Condition 14.

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

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

### **13. EXCHANGE OF TALONS**

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

### **14. NOTICES**

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

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

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

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

#### *15.1 Meetings*

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

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

### 15.2 *Modifications*

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee is proven provided that, in the case of a modification, the Issuer has given one month's prior notice to the FSA and the FSA has consented to or approved such modification, to the extent that consent or approval to such modification is required.

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

### 15.3 *Substitution*

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

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

### 15.4 *Exercise of Trustee's powers and discretions*

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

## **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a

single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of the notes of other series in circumstances where the Trustee so decides.

## 17. DEFINITIONS

In these Conditions:

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

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

“ACSM Deferred Interest Payment Date” means a date, prior to the Redemption Date, upon which the Issuer has elected to make payment of Deferred Interest in accordance with Condition 4.3;

“ACSM Notes” means Notes in respect of which the Alternative Coupon Satisfaction Mechanism applies (as specified in the Final Terms);

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

“Arrears of Interest” means, in the case of Non-ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8 and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met, and which has not been satisfied;

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

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

“Capital Adequacy Condition” means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer’s wholly-owned subsidiary (“Prudential Assurance”), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Undated Tier 2 Senior Creditors, by at least 125% or such percentage specified by the FSA as the Regulatory Capital Requirement applicable to Prudential Assurance (as at 31 December, 2011, approximately 13%); or

- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

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

"Compulsory Interest Payment Date" means, in respect of Option A Notes, each Interest Payment Date: (a) on which the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so; and (b) that is not an Optional Interest Payment Date;

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

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

- (a) the Issuer fails to pay the amount due to satisfy any interest payment which has not been deferred, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and any Deferred Interest or Arrears of Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

"Deferred Interest" means in the case of ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1A or 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8, and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met and which has not been satisfied;

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

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

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

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

"Group" means the Issuer and its Subsidiaries;

"Holding Company Shares" means the ordinary shares of the New Holding Company;

"Initial Rate of Interest" has the meaning so specified in the Final Terms;

"insurance undertaking" has the meaning given to such term in the Solvency II Directive;

“Junior Securities” means the Ordinary Shares, other Tier 1 Capital of the Issuer and any other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank, as regards distribution on a return of assets on a winding-up of the Issuer or in respect of distributions or payments of dividends or any other payments thereon, after the Notes;

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

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

“Make Whole Redemption Price” means, as specified in the Final Terms, (i) the Spens Amount, calculated in accordance with Condition 7.6, (ii) the Make Whole Redemption Amount, calculated in accordance with Condition 7.6, or (iii) the amount per Calculation Amount specified in the Final Terms;

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

“Mid Swap Maturity” has the meaning specified in the Final Terms;

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

“Non-ACSM Notes” means notes to which the Alternative Coupon Satisfaction Mechanism does not apply (as specified in the Final Terms);

“Optional Interest Payment Date” has the meaning given to that term in Condition 4.1A;

“Optional Redemption Amount” means the amount so specified in the Final Terms;

“Optional Redemption Date” means the date so specified in the Final Terms;

“Option A Notes” means any Notes so specified in the Final Terms;

“Option B Notes” means any Notes so specified in the Final Terms;

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

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

“Parity Securities” means perpetual capital instruments of the Issuer (including the Notes), preferred or preference shares or other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the

holders of which rank *pari passu* with the Notes as to participation in the Issuer's assets in the event of its winding-up;

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

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

"Permitted Restructuring Arrangement" means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each ACSM Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and by Moody's Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

"Qualifying Tier 2 Capital" means notes that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 4.5 (if applicable), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and certified by the Directors of the Issuer to the Trustee, provided that they shall:
  - (i) contain terms which comply with then current requirements of the FSA in relation to Upper Tier 2 Capital or, following implementation of the Solvency II Regulations, Tier 2 Capital;
  - (ii) bear the same rate of interest from time to time applying to the Notes, but not necessarily having provisions analogous to the provisions of Condition 4.3 (if applicable) and preserve the Interest Payment Dates;
  - (iii) 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 applying to the Notes;
  - (iv) rank at least *pari passu* with the Notes;



- (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 2 Capital may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A or Condition 7.5B and subject to the same conditions as those set out in Condition 7.2);
- (vi) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 2 Capital or conversion of such Qualifying Tier 2 Capital into Ordinary Shares; and
- (vii) preserve any existing rights under these Conditions to any Deferred Interest or, as the case may be, Arrears of Interest, and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid; and

(b) are listed or admitted to trading on a Recognised Stock Exchange;

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

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

“Regulatory Assets” means the assets eligible to satisfy the Regulatory Capital Requirement;

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

A “Regulatory Event” is deemed to have occurred if:

- (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or
- (b) at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group is required under any Regulatory Capital Requirement to have Tier 2 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Upper Tier 2 Capital of the Issuer on a solo and/or consolidated basis; or
- (c) if a Solvency II Capital Disqualification Event occurs;

“Reset Date(s)” means the date(s) specified in the Final Terms;

“Reset Determination Date(s)” means the date(s) specified in the Final Terms;

“Reset Margin” means the margin specified in the Final Terms;

“Reset Period” has the meaning set out in Condition 5B.1;

“Solvency Capital Requirement” means, following the implementation of the Solvency II Directive and the Solvency II Regulations, the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group referred to in, or any other minimum capital requirement howsoever described in, the Solvency II Directive or the Solvency II Regulations;

“Solvency Condition” has the meaning set forth in Condition 3.1;

A “Solvency II Capital Disqualification Event” is deemed to have occurred if:

- (a) the Notes are no longer capable of counting either:
  - (i) as cover for capital requirements or treated as tier 2 “own funds” (howsoever described in the Directives, the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
  - (ii) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
- (b) the entire principal amount of the Notes outstanding at such time is no longer capable of counting either:
  - (i) as cover for capital requirements or treated as tier 2 “own funds” (howsoever described in the Directives, the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
  - (ii) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis,

as a result of transitional or grandfathering provisions under the Directives, the Solvency II Directive or the Solvency II Regulations,

except where such non-qualification is as a result of any other applicable limitation on the amount of such capital;

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

“Solvency II Regulations” means the rules and regulations of the FSA implementing the Solvency II Directive that require the Issuer or any of the Issuer’s EEA Insurance Subsidiaries to meet a Solvency Capital Requirement including, without limitation, pursuant to the Solvency II Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Solvency II Directive;

“Subsequent Reset Rate” has the meaning set out in Condition 5B.1;

“Subsequent Reset Rate Screen Page” has the meaning specified in the Final Terms;

“Subsequent Reset Rate Time” has the meaning specified in the Final Terms;

“Subsequent Reset Reference Rate(s)” has the meaning(s) specified in the Final Terms;

“Subsidiary” means a subsidiary undertaking within the meaning set out in section 1162 of the Companies Act 2006;

“Tax Event” means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest or Arrears of Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest or Arrears of Interest on the next Interest Payment Date in respect of any Notes would be treated as “distributions” within the meaning of section 1000 of the Corporation Tax Act 2010 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest or Arrears of Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

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

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

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

“Undated Tier 2 Senior Creditors” means (i) any creditors of the Issuer who are unsubordinated creditors of the Issuer; and (ii) creditors of the Issuer whose claims rank, or are expressed to rank, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital (which ranks junior to the Notes) or whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders of the Notes in respect of such Notes); and

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

## **18. GOVERNING LAW**

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

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## TERMS AND CONDITIONS OF TIER 1 NOTES

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*The following, except for paragraphs in italics, are the Terms and Conditions of the Tier 1 Notes (the “Notes”) which, as completed in accordance with the provisions of Part A of the relevant Final Terms, will be applicable to each Tranche of Notes. Either: (i) the full text of these Terms and Conditions together with the relevant provisions of Part A of the Final Terms; or (ii) these Terms and Conditions as so completed, shall be endorsed on the Bearer Notes (as defined below) or on the certificates relating to the Registered Notes (as defined below). Certain provisions relating to such Notes while in global form, and certain modifications of these Terms and Conditions applicable to such Notes while in global form, are described in the section entitled “Provisions relating to the Notes while in Global Form”.*

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 19 December, 2012 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the “Issue and Paying Agent”, which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the “Registrar”, which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions (these “Conditions”) for the purposes of this Note. References to the “Final Terms” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the London Stock Exchange’s regulated market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the

Trustee or the Issue and Paying Agent as to the identity of such holder. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

## **1. FORM AND DENOMINATION**

### *1.1 Form*

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (Directive 2003/71/EC) (as amended), the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### *1.2 Coupons and Talons*

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

### *1.3 Interest Basis*

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include an EONIA Linked Interest Note, a SONIA Linked Interest Note, a Federal Funds Rate Linked Interest Note or a CMS Linked Interest Note if this Note is specified as such in the Final Terms), a Reset Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

### *1.4 Denomination of Bearer Notes*

Bearer Notes are in the Specified Denomination or Denominations specified in the Final Terms.

### *1.5 Denomination of Registered Notes*

Registered Notes are in the minimum Specified Denomination or Denominations specified in the Final Terms or integral multiples thereof.

### *1.6 Currency of Notes*

The Notes are denominated in the Specified Currency specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. TITLE AND TRANSFER**

### *2.1 Title to Bearer Notes*

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

### *2.2 Title to Registered Notes*

Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the “Holders” in relation to Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

### *2.3 Holder as Owner*

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

### *2.4 Transfer of Registered Notes*

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

### *2.5 New Registered Notes*

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar after the Record Date (as defined in Condition 6.4) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

- (a) “Relevant Banking Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
- (b) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.

### *2.6 No Charges upon Transfer*

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in relation thereto.

## 2.7 144A Legend

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the “144A Legend”) set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the 144A Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

## 2.8 Information to Holders

For so long as any of the Registered Notes bearing the 144A Legend remains outstanding and is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the “Securities Act”), the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents and the Registrar in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

## 3. STATUS OF THE NOTES

### 3.1 Status

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

### 3.2 Subordination

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

### 3.3 Solvency Condition

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee’s fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or

arising therefrom, and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to all Senior Creditors as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are not Senior Creditors, by at least 4% or such other percentage specified by the FSA from time to time as the Regulatory Capital Requirement.

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

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

### 3.4 Solvency Claims

Without prejudice to the rest of these Conditions, amounts representing payments of any amount under or arising from the Notes, any relative Coupons and the Trust Deed relating to them in respect of which the Solvency Condition and/or the Solvency Capital Requirement is or are not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3.5. A Solvency Claim shall not bear interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

### 3.5 Winding-up

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

*As a consequence of the subordination conditions, the Holders of the Notes may recover less rateably than the holders of the Issuer's unsubordinated liabilities and the holders of certain of the Issuer's other subordinated liabilities. If, in any winding-up, the amount payable on any claims ranking equally with the*



*Notes is not paid in full, the Holders of the Notes and other claims ranking equally will share rateably in any such distribution of assets of the Issuer in proportion to the respective amounts to which they are entitled.*

### 3.6 Solvency Capital Requirement

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall, unless otherwise permitted by the FSA, be conditional upon the Issuer satisfying the Solvency Capital Requirement at the time of and immediately after any such payment, and, unless otherwise permitted by the FSA, the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Capital Requirement both at the time of and immediately after any such payment, redemption or purchase.

A report as to the Issuer's compliance with the Solvency Capital Requirement signed by two Directors of the Issuer or, if there is a winding-up of the Issuer in England and Wales, the liquidator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders of the Notes and any relative Coupons as correct and sufficient evidence thereof. If the Issuer fails to make any interest payment as a result of failure to satisfy the Solvency Capital Requirement, that payment will constitute Deferred Interest until paid. In a winding-up, the amount payable on the Notes will be determined in accordance with the provisions of Condition 3.5.

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

### 3.7 Set-off

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

## 4. DEFERRAL OF PAYMENTS

This Note may be an Option A Note or an Option B Note, as specified in the Final Terms.

### 4.1A Deferral of Interest – Option A Notes

This Condition 4.1A shall apply to Option A Notes only.

- (a) Payments of interest on the Option A Notes will be mandatory on each Compulsory Interest Payment Date.
- (b) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option A Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date (an "Optional

Interest Payment Date”) where it determines (by reference to the Issuer’s then current financial condition) at its sole discretion, on or after the 20th Business Day, but not later than the fifth Business Day, prior to such Interest Payment Date that:

- (i) the Capital Adequacy Condition will not be met on such date; or
  - (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment.
- (c) Any interest payments that the Issuer does not make in respect of the Option A Notes on an Optional Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

Deferred Interest will become payable only on the redemption of the Option A Notes or purchase of the Option A Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.2, upon the commencement of the winding-up of the Issuer and not in any other circumstances, but so that, in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Subject to Condition 7.10, the Issuer will satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes.

#### *4.1B Deferral of Interest – Option B Notes*

This Condition 4.1B shall apply to Option B Notes only.

- (a) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option B Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date.
- (b) Any interest payments that the Issuer does not make in respect of the Option B Notes on an Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

Deferred Interest will become payable only on the redemption of the Option B Notes or purchase of the Option B Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.2, upon the commencement of the winding-up of the Issuer and not in any other circumstances, but so that, in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Subject to Condition 7.10, the Issuer will satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes.

#### 4.2 *Dividend and Capital Restriction*

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

Following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described below in Condition 4.3(b), the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.10; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

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

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

#### 4.3 *Alternative Coupon Satisfaction Mechanism*

##### (a) *General*

The Issuer must satisfy its obligation to pay any Deferred Interest on redemption of the Notes or on purchase of the Notes by or on behalf of the Issuer only in accordance with the procedures described below, and may, in its absolute discretion, elect (an "ACSM Election") to satisfy its obligation under any Note to pay Current Interest payable on any Interest Payment Date in accordance with the procedures described below.

The obligation of the Issuer to pay any Deferred Interest or, upon an ACSM Election, its obligation to pay Current Interest due on any Interest Payment Date in accordance with the Alternative Coupon Satisfaction Mechanism will be satisfied as follows:

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.6, of the forthcoming Redemption Date. In order to effect an ACSM Election, the Issuer shall give notice to the Holders in accordance with Condition 14, of its intention to pay interest in accordance with the Alternative Coupon Satisfaction Mechanism not later than 20 Business Days prior to an Interest Payment Date;
- (ii) not later than 14 Business Days prior to the Redemption Date or, upon an ACSM Election, not later than 14 Business Days prior to the relevant Interest Payment Date, the ACSM Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the ACSM Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest or, upon an ACSM Election, the Current Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);
- (iii) not later than ten Business Days prior to the Redemption Date or, upon an ACSM Election, no later than ten Business Days prior to the relevant Interest Payment Date, the ACSM Calculation Agent, or an appointed intermediary, shall place such number of Ordinary Shares in the market;
- (iv) not later than the close of business on the seventh Business Day prior to the Redemption Date or, upon an ACSM Election, the seventh Business Day prior to the relevant Interest Payment Date, the ACSM Calculation Agent, or an appointed intermediary, shall notify the Issuer of the number of Ordinary Shares for which it has procured purchasers;
- (v) as soon as reasonably practicable following such notification but not later than the sixth Business Day prior to the Redemption Date or, upon an ACSM Election, the sixth Business Day prior to the relevant Interest Payment Date, the Issuer shall, subject to having necessary corporate authorisations in place, issue and allot such Ordinary Shares to the purchasers who have agreed to purchase them;
- (vi) if, after the operation of the above procedures there would, in the opinion of the ACSM Calculation Agent, be a shortfall of proceeds towards the satisfaction of the aggregate amount of Deferred Interest payable on the Redemption Date or, upon an ACSM Election, the Current Interest due on the relevant Interest Payment Date, the ACSM Calculation Agent shall use its reasonable endeavours to find purchasers for further Ordinary Shares and the Issuer shall, subject to having the necessary corporate authorisations in place, issue and allot such further Ordinary Shares to the purchasers who have agreed to purchase them in accordance with these provisions to try to ensure that a sum (after the Issuer has paid any taxes, duties, costs and expenses payable by it in connection with the issue of the Ordinary Shares) at least equal to the aggregate amount of Deferred Interest or Current Interest due on the relevant Interest Payment Date is available on the Business Day prior to the Redemption Date to make the Deferred Interest payments in full on the Redemption Date or, in the case of an ACSM Election, the Current Interest due on the relevant Interest Payment Date; *provided* that if, despite the operation of the above provisions, such a shortfall exists on the Business Day preceding the Redemption Date or, on an ACSM Election, the relevant Interest Payment Date, the Issuer may, subject to having the necessary corporate authorisations in place, continue to issue and allot Ordinary Shares until the Trustee or its agent (or the Issue and Paying Agent) shall have received funds on behalf of the Issuer equal to the full amount of such shortfall and *provided further* that no Deferred Interest or Current Interest payment in respect of which an ACSM Election has been made shall be made to a Holder and no Note shall be redeemed until the Issuer is able to pay a sum at least equal to the aggregate amount of Deferred Interest in full in

accordance with the Alternative Coupon Satisfaction Mechanism on the Redemption Date or, in the case of an ACSM Election, the full amount of Current Interest falling due for payment on the relevant Interest Payment Date. For the avoidance of doubt, the Redemption Date as set out in the redemption notice shall be deferred until the date the payment of Deferred Interest or (in the case of an ACSM Election) the Current Interest due on any Interest Payment Date can be so made in full;

- (vii) the Issuer shall transfer or arrange for the transfer of the issue proceeds raised from the operation of the provisions set out in Condition 4.3(a)(iii)-(vi) to satisfy the aggregate amount of Deferred Interest to the Trustee or its agent (or the Issue and Paying Agent) on the Business Day preceding the Redemption Date or, on an ACSM Election, on the Business Day preceding the relevant Interest Payment Date for payment by the Trustee or its agent (or the Issue and Paying Agent), on the Redemption Date or such Interest Payment Date, towards the satisfaction on behalf of the Issuer of the aggregate amount of Deferred Interest or, in the case of an ACSM Election, Current Interest; and
- (viii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the amount required to pay the applicable Deferred Interest or Current Interest plus the claims for the fees, costs and expenses to be borne by the Issuer in connection with using the Alternative Coupon Satisfaction Mechanism, any remaining proceeds shall be paid to the Issuer.

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

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

(b) Sufficiency and Availability of Ordinary Shares

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

- (i) the procedure will only be activated if: (A) the Issuer has given a redemption notice and at that time there are Deferred Interest payments to be satisfied; or (B) the Issuer elects to make a Current Interest payment in such manner by giving the applicable notice as set out in Condition 4.3(a)(i);
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares (*which is, as at 19 December, 2012, five pence per share*); and
- (iii) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

The Issuer will, for so long as any Notes remain outstanding, review its Ordinary Share price prior to each annual general meeting of its shareholders. If the Issuer determines as a result of any such review that the Directors of the Issuer do not have the necessary authority to allot and issue at that date a number of Ordinary Shares the purchase proceeds of which will be at least equal to the amount of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the Notes, then at the next annual general meeting, the Issuer shall propose resolutions to increase the

Directors' authority to allot and issue Ordinary Shares to the level that would enable the Issuer to issue at that date a sufficient number of Ordinary Shares to enable payment of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the Notes pursuant to the Alternative Coupon Satisfaction Mechanism.

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

In addition, if the Issuer is unable to make payment in full of either all Deferred Interest due to be paid on a Redemption Date or Current Interest on the applicable Interest Payment Date because it does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares or for any other reason, interest will accrue on such Deferred Interest or Current Interest from (and including) the initial Redemption Date or applicable Interest Payment Date, as the case may be, to (but excluding) the date such Deferred Interest or Current Interest, as the case may be, is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

(c) Market Disruption Event

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

## 5. INTEREST

### 5A Interest on Fixed Rate Notes

Subject to Conditions 3.2, 3.3 and 4, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) (as specified in the Final Terms).

If the Notes are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, subject to Condition 4, amount to the Fixed Coupon Amount. Payment of any Broken Amount will, subject to Condition 4, be made on the Interest Payment Date so specified in the Final Terms.

As used in these Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

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

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

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

- (i) if “Actual/Actual (ICMA)” is specified in the Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

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

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

*5B Interest on Reset Notes*

*5B.1 Rates of interest*

Subject to Conditions 3.2, 3.3 and 4, each Reset Note bears interest:

- (A) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (B) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Issue and Paying Agent on the relevant Reset Determination Date in accordance with this Condition 5B,

payable, in each case, in arrear on the Interest Payment Dates(s) (as specified in the Final Terms).

As used in these Conditions:

“Mid Swap Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

“Mid Swap Rate” means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Issue and Paying Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term of equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Issue and Paying Agent).

“Reference Bond” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“Reference Bond Price” means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Issue and Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Government Bond Dealer” means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Issue and



Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Issue and Paying Agent by such Reference Government Bond Dealer.

"Reset Determination Date" means for each Reset Period the date as specified in the Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

"Reset Period" means the period from (and including) the first Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date (if any).

"Subsequent Reset Rate" for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

"Subsequent Reset Reference Rate" means either:

- (a) if "Mid Swaps" is specified in the Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (b) if "Reference Bond" is specified in the Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

- (A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or
- (B) in the case of Reset Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"Day Count Fraction" and related definitions have the meanings given in Condition 5A.

#### *5B.2 Subsequent Reset Rate Screen Page*

If the Subsequent Reset Rate Screen Page is not available, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the

Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Issue and Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

For the purposes of this Condition 5B.2 "Reference Banks" means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

#### *5B.3 Notification of Subsequent Reset Rate and Interest Amounts*

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

#### *5B.4 Determination or Calculation by Trustee*

If for any reason at any relevant time, the Issue and Paying Agent defaults in its obligation to determine the Subsequent Reset Rate or to calculate any Interest Amount in accordance with Condition 5B.1 or 5B.2, the Trustee shall determine the Subsequent Reset Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

#### *5B.5 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 5B, whether by the Issue and Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders or any other person shall attach to the Issue and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5C Interest on Floating Rate Notes*

##### *5C.1 Interest Payment Dates*

Subject to Conditions 3.2, 3.3 and 4, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

In these Conditions, “Business Day” means a day which is both:

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

## 5C.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

## 5C.3 ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5C.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of 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 (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

For the purposes of this Condition 5C.3, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

## 5C.4 Screen Rate Determination for Floating Rate Notes

### A. Floating Rate Notes other than EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes

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

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

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

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the

Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant 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 the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) 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, at approximately the Relevant 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 the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), 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 is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5C.4A:

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market; in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and, in the case of a determination of a Reference Rate other than LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Issue and Paying Agent.

“Reference Rate” means, as specified in the Final Terms, (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Singapore interbank offered rate (“SIBOR”), (iv) the Tokyo interbank offered rate (“TIBOR”), (v) the Hong Kong interbank offered rate (“HIBOR”) or (vi) the bank rate of the Bank of England (the “Bank of England Base Rate”), in each case for the relevant currency and for the relevant period (if applicable), as specified for each in the Final Terms.

“Relevant Financial Centre” means the financial centre specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of a determination of SIBOR, Singapore, (iv) in the case of a determination of TIBOR, Tokyo, (v) in the case of a determination of HIBOR, Hong Kong or (vi) in the case of a determination of the Bank of England Base Rate, London.

“Relevant Time” means the time specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, 11.00 a.m., (ii) in the case of a determination of EURIBOR, 11.00 a.m., (iii) in

the case of a determination of SIBOR, 11.00 a.m., (iv) in the case of a determination of TIBOR, 11.00 a.m. (v) in the case of a determination of HIBOR, 11.00 a.m. or (vi) in the case of a determination of the Bank of England Base Rate, 11.00 a.m., in each case in the Relevant Financial Centre.

*B. Floating Rate Notes which are EONIA Linked Interest Notes*

Where the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest ten-thousandths of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with provisions set out below and the following formula:

Capitalised EONIA + Margin

As used above:

“Capitalised EONIA” means the resultant figure of the following formula:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{EONIA_1 \times n_1}{360} \right) - 1 \right] \times \frac{360}{d}$$

“ $d_0$ ” means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period.

“ $i$ ” means a series of whole numbers from one to  $d_0$ , each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period.

“ $EONIA_1$ ” means, for any day “ $i$ ” in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

“ $n_1$ ” means the number of calendar days in the relevant Interest Period.

“ $d$ ” means the number of calendar days in the relevant Interest Period.

“Margin” has the meaning specified in the Final Terms.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters Screen EONIA Page or any successor.

“TARGET Business Day” means a day on which the TARGET2 System is open.

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in  $EONIA_1$  appears for any reason for any day “ $i$ ” on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine  $EONIA_1$  for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*C. Floating Rate Notes which are SONIA Linked Interest Notes*

Where the Reference Rate is specified as being SONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}}$$

where:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}} = \frac{365}{D} \times \left[ \prod_{i=1}^{D_0} \left( 1 + \frac{(r_i) \times d_i}{365} \right) - 1 \right]$$

As used above:

“D” means the number of calendar days in the relevant Observation Period.

“D<sub>0</sub>” means the number of London Business Days in the relevant Observation Period.

“i” means a series of whole numbers from one to D<sub>0</sub>, each representing the relevant London Business Days in chronological order from, and including, the first London Business Day in the relevant Observation Period.

“r<sub>i</sub>” means, for any London Business Day i in the relevant Observation Period, the SONIA rate in respect of such London Business Day plus the Margin.

“d<sub>i</sub>” means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

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

“Margin” has the meaning specified in the Final Terms.

“Observation Period” means, in respect of an Interest Period, the period from, and including, 5 London Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending, but excluding, 5 London Business Days prior to the Interest Payment Date for such Interest Period.

“Relevant Screen Page” means the screen page specified in the Final Terms or, if none is so specified, Reuters page SONIA 1 or any successor.

“SONIA rate” means, in respect of a London Business Day, the effective reference rate equal to the overnight interest rate (published as a percentage to four decimal places) calculated by the Wholesale Market Bankers’ Association as a weighted average of all overnight unsecured lending transactions in Sterling in the interbank market, initiated within London by the contributing panel banks which appears on the Relevant Screen Page as of 7.00 p.m. (Central European time) on such London Business Day, all as determined by the Calculation Agent.

If, at any such time, the Calculation Agent determines that either the Relevant Screen Page is not available or that no such quotation appears, the Calculation Agent will determine the SONIA rate for such time and London Business Day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

*D. Floating Rate Notes which are Federal Funds Rate Linked Interest Notes*

Where the Reference Rate is specified as being the Federal Funds Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below as the Weighted Average of the U.S. Federal Funds Rate.

As used above:

“Weighted Average of the U.S. Federal Funds Rate” means  $D1/D2$ .

Where:

“D1” means, in respect of an Interest Period, the sum of the Relevant Rates for each calendar day in such Interest Period. For any calendar day in the relevant Interest Period that is an Interest Determination Date, the “Relevant Rate” is the U.S. Federal Funds Rate on such Interest Determination Date. For any calendar day in such Interest Period that is not an Interest Determination Date, the Relevant Rate for such calendar day shall be the Relevant Rate on the immediately preceding Interest Determination Date.

“D2” shall mean the number of calendar days in the Interest Period.

“Interest Determination Date” means, in respect of an Interest Reset Date, the first New York City Banking Day prior to such Interest Reset Date.

“Interest Rate Cut Off Date” means, in respect of an Interest Period, the fourth New York City Banking Day prior to the Interest Payment Date on which such Interest Period ends.

“Interest Reset Date” means, in respect of an Interest Period, each New York City Banking Day in such Interest Period up to and including the Interest Rate Cut Off Date.

“New York City Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

“U.S. Federal Funds Rate” means, in respect of an Interest Determination Date, the rate for U.S. dollar federal funds on such Interest Determination Date as published in H.15(519) under the caption “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption “EFFECT” (or any other page as may replace the specified page on that service) (“FEDFUNDS1 Page”).

If the U.S. Federal Funds Rate for an Interest Determination Date does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, in respect of such Interest Determination Date, the U.S. Federal Funds Rate for such Interest Determination Date shall be as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption “Federal funds (effective)”. If the U.S. Federal Funds Rate is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, the U.S. Federal Funds Rate with respect to such Interest Determination Date shall be the U.S. Federal Funds Rate for the first preceding day for which the U.S. Federal Funds Rate is set forth in H.15(519) opposite the caption “Federal funds (effective)”, as the U.S. Federal Funds Rate is displayed on the FEDFUNDS1 Page.

*E. Floating Rate Notes which are CMS Linked Interest Notes*

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:



## CMS Rate + Margin

As used above:

“CMS Rate” shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, 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).

For this purpose:

"Margin" has the meaning specified in the Final Terms.

“Reference Banks” means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

“Relevant Screen Page” has the meaning specified in the Final Terms.

“Relevant Swap Rate” means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

“Relevant Time” has the meaning specified in the Final Terms.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

#### *5C.5 Minimum Rate of Interest and/or Maximum Rate of Interest*

If the Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### *5C.6 Determination of Rate of Interest and calculation of Interest Amounts*

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount 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 without any further rounding.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

#### 5C.7 Notification of Rate of Interest and Interest Amounts

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they

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

#### *5C.8 Determination or Calculation by Trustee*

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with Condition 5C.3 or 5C.4, as the case may be, and in each case in accordance with Condition 5C.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5C, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

#### *5C.9 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 5C, whether by the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Holders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Holders shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### *5D Accrual of interest*

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

## **6. PAYMENTS**

### *6.1 Method of payment*

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and which, in the case of a payment on a Note in bearer form for U.S. federal income tax purposes, shall be an account outside the United States, except as

may be permitted by United States federal income tax law) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (in no event, however, shall payment in respect of a Note in bearer form for U.S. federal income tax purposes be made by cheque mailed to an address in the United States); and

- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase “fiscal or other laws or regulations” shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

## 6.2 *Presentation of Bearer Notes and Coupons*

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), as applicable.

The Holder of a Temporary or Permanent Global Note in bearer form shall be the only person entitled to receive payments in respect of Notes represented by such Temporary or Permanent Global Note in bearer form and the Issuer will be discharged by payment to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or any other clearing system as the beneficial holder of a

particular nominal amount of Notes represented by such Temporary or Permanent Global Note in bearer form must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form.

### 6.3 *U.S. Paying Agent*

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

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

### 6.4 *Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the nominal amount of the Registered Notes held by a Holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency) payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a nonresident account) maintained by a Holder with a Designated Bank and identified as such in the register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "Record Date") at his address shown in the register on the Record Date and at his risk. Upon application of the Holder to the specified office of the Registrar not less

than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the Holder who has made the initial application until the Registrar is notified in writing to the contrary by such Holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

#### 6.5 *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (in the case of Notes in definitive form only), London and each Additional Financial Centre specified in the Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### 6.6 *Interpretation of principal and interest*

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

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

Any reference in these Conditions to interest or Deferred Interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest or Deferred



Interest under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **7. REDEMPTION, VARIATION, SUBSTITUTION, CONVERSION, PURCHASE AND EXCHANGE**

### *7.1 No Redemption Date*

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

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

### *7.2 Conditions to redemption, variation, substitution, conversion, purchase and exchange*

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem, vary, substitute, convert, purchase or exchange any Notes, as described below under any of Condition 7.3, 7.4, 7.5A or 7.5B or 7.5C, 7.7, 7.8, 7.9, 7.10 or 7.11 unless the Issuer has given one month's prior notice to the FSA (or such other period of notice, if any, as the FSA may from time to time require) and, to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 1 Capital at the time of such redemption, variation, substitution, purchase or exchange, the FSA has given its prior approval or consented in the form of a waiver or otherwise to such redemption, variation, substitution, conversion, purchase or exchange.

Redemption may only be effected if on, and immediately following, the relevant Redemption Date, the Issuer is in compliance with the Regulatory Capital Requirement, the Solvency Condition is met and the Solvency Capital Requirement is met or, in each case, as otherwise permitted by the FSA. The FSA may impose other conditions on any redemption or purchase at the relevant time.

### *7.3 Issuer's Call Option*

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at its option, if specified in the Final Terms, on any Optional Redemption Date.

### *7.4 Tax Call Event Redemption or Tax Event Conversion*

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

Upon the occurrence of a Tax Event, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) into another series of notes constituting Qualifying Tier 1 Capital.

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

The Trustee shall use its reasonable endeavours to assist the Issuer in the conversion of the Notes in accordance with this Condition 7.4, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the Qualifying Tier 1 Capital into which the Notes are to be converted impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted, the Issuer may elect to redeem the Notes as provided in this Condition 7.4.

If, following a Tax Event set out in clause (b) or (c) of the definition of Tax Event, the Issuer gives notice to the FSA and the FSA, if its consent or approval is required by the Capital Regulations or the Solvency II Regulations in relation to Tier 1 Capital at the time, fails to give such consent or approval to the proposal to convert the Notes into another series of notes constituting Qualifying Tier 1 Capital, then the Tax Event giving rise to such proposal will become a Tax Call Event.

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem the Notes upon the occurrence of a Tax Call Event prior to any Optional Redemption Date unless such Tax Call Event is also a Par Tax Event.

#### *7.5A Regulatory Event Redemption*

This Condition 7.5A shall apply to the Notes only if Regulatory Event Redemption is specified as being applicable in the Final Terms.

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

#### *7.5B Regulatory Event Redemption and Regulatory Event Refinancing Option*

This Condition 7.5B shall apply to the Notes only if Regulatory Event Redemption and Regulatory Event Refinancing Option is specified as being applicable in the Final Terms.

Subject as provided in these Conditions, the Issuer may, at any time upon the occurrence of a Regulatory Event, at its sole discretion:

- (a) redeem the Notes in whole (but not in part); or
- (b) substitute the Notes, in whole (but not in part) for, or vary these Conditions and/or the terms of the Trust Deed such that they are treated as, an issue of Qualifying Tier 1 Capital.

The Trustee shall use its reasonable endeavours to assist the Issuer in substitution or variation of the Notes in accordance with this Condition 7.5B, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

#### *7.5C Solvency II Regulatory Event Redemption*

This Condition 7.5C shall apply to the Notes only if Solvency II Regulatory Event Redemption is specified as being applicable in the Final Terms.

The Issuer shall, subject to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, redeem the Notes in whole (but not in part) within 6 months following the occurrence of a Solvency II Regulatory Event, except as otherwise indicated to the Issuer by the FSA, provided that the Issuer must satisfy its obligation to redeem the Notes (including payment of any accrued interest) in accordance with this Condition 7.5C only out of the proceeds of the issuance of instruments which are Tier 2 Own Funds or Tier 1 Own Funds.

The Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon a redemption in accordance with this Condition 7.5C only in accordance with the Alternative Coupon Satisfaction Mechanism.

#### *7.6 Redemption and Conversion Procedures*

Any redemption under Condition 7.3, 7.4, 7.5A or 7.5B or substitution or variation under Condition 7.5B above may be made on not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14.

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

If the Notes are to be redeemed pursuant to Condition 7.4, 7.5A, 7.5B or 7.5C on the occurrence of a Par Tax Event, a Regulatory Event or a Solvency II Regulatory Event, the Notes may be redeemed at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at (i) in the case of a Par Tax Event at any time or a Regulatory Event or a Solvency II Regulatory Event occurring on or after the Optional Redemption Date, at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event or a Solvency II Regulatory Event occurring prior to the Optional Redemption Date, at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including, if applicable, any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and, if applicable, the aggregate amount of any Deferred Interest, as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4 on the occurrence of an Other Tax Event, the Notes may be redeemed on or after the Optional Redemption Date at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at the outstanding principal amount of the Notes or at their Make Whole Redemption Price, as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest, as provided in these Conditions.

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

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

Any notice of redemption will be irrevocable, subject to the Redemption Date postponement requirements set out below. Failure to pay or set aside for payment the principal amount of the Notes to be redeemed, any

accrued but unpaid interest, or any Deferred Interest, as provided in these Conditions within 14 days of the Redemption Date, as postponed, if applicable, will constitute a Default.

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.6:

“Determination Agent” means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

“FA Selected Bond” means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to the first Optional Redemption Date of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the first Optional Redemption Date of the Notes.

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

“Redemption Margin” shall be as set out in the Final Terms.

“Reference Bond” shall be as set out in the Final Terms or the FA Selected Bond.

“Reference Bond Price” means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Bond Rate” means, with respect to any Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant

day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date.

“Reference Date” will be set out in the relevant notice of redemption.

“Reference Government Bond Dealer” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest (assuming each such scheduled interest payment to be due in full) on such Note for the remaining term until the first Optional Redemption Date of such Note determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

#### 7.7 Issuer Exchange Option

This Condition 7.7 shall apply only to Notes in respect of which the Issuer Exchange Option is specified as being applicable in the Final Terms (“Exchangeable Notes”).

Subject as provided in these Conditions, the Issuer may at any time, at its sole discretion, exchange the Exchangeable Notes, in whole or in part, into Preference Shares credited as fully paid and having the terms specified below on any Interest Payment Date.

Any date on which Exchangeable Notes are exchanged for Preference Shares shall be an “Exchange Date”.

The terms of the Preference Shares shall provide that:

- (1) the Preference Shares contain terms which comply with then current requirements of the FSA in relation to, prior to the Solvency II Implementation Date, Tier 1 Capital or, on and from the Solvency II Implementation Date, Tier 2 Own Funds;
- (2) the Preference Shares shall rank at least *pari passu* with the Exchangeable Notes;
- (3) the Preference Shares shall bear a dividend thereon at the same rate as the Rate of Interest as from time to time applies to the Exchangeable Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates;
- (4) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to Condition 4.3 incorporated in the terms of the Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall have the benefit of provisions analogous to the dividend and capital restrictions described in Condition 4.2 (if applicable) of the Exchangeable Notes;
- (5) contain terms providing for mandatory deferral of payments of dividends and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions applicable to the Exchangeable Notes;

- (6) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Exchangeable Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Preference Shares may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A, Condition 7.5B or Condition 7.5C and subject to the same conditions as those set out in Condition 7.2);
- (7) the Issuer shall not be required or entitled to effect, nor shall the Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Preference Shares or conversion of such Preference Shares into Ordinary Shares; and
- (8) on the winding-up of the Issuer, each Preference Share shall entitle the holder thereof to a return of capital equal to its aggregate paid up amount (as to its nominal value and any premium on it),

and otherwise shall provide that the Preference Shares are not materially less favourable to a holder thereof than the terms of the Exchangeable Notes and the Coupons taken together, such other terms to be determined by the Issuer in consultation with an independent investment bank of international standing, as certified by two Directors of the Issuer to the Trustee.

The Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon exchange of any Exchangeable Notes only in accordance with the Alternative Coupon Satisfaction Mechanism.

Any Preference Shares issued in connection with a partial exchange of any Exchangeable Notes will contain the same terms and provisions as those issued in connection with any other partial exchange, except that the different issue dates will mean that certain Preference Shares may be redeemed earlier or later than others. Preference Shares issued on one partial exchange will constitute a separate series of Preference Shares from Preference Shares issued upon a different partial exchange and will therefore not be fungible.

In the case of a partial exchange of any Series of Exchangeable Notes, the Issuer may only elect to exchange an aggregate principal amount of Exchangeable Notes of at least £50,000,000 (or multiples of £10,000,000 above £50,000,000) (or the equivalent in any other currency as at the Exchange Date). The Exchangeable Notes to be exchanged in any partial exchange will be selected in a manner deemed fair and appropriate by the Trustee.

Notwithstanding the foregoing, the Issuer shall not exchange any Exchangeable Notes unless:

- (a) there is no accrued but unpaid interest on such Exchangeable Notes (other than any Current Interest due on the Exchange Date);
- (b) any Deferred Interest due on such Exchangeable Notes has been paid in accordance with the Alternative Coupon Satisfaction Mechanism;
- (c) no Default has occurred and is continuing;
- (d) the Directors of the Issuer have all the necessary authority under English law to allot and issue a sufficient number of Preference Shares arising on exchange; and
- (e) the Issuer is in compliance with certain other conditions set forth in the Trust Deed.

Prior to the exchange of any Exchangeable Notes, the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee duly executed by two Directors of the Issuer stating that all

conditions precedent to such exchange have been complied with in accordance with the terms of the Exchangeable Notes.

On or immediately prior to an Exchange Date, the Issuer will redeem each Exchangeable Note to be exchanged at its principal amount, the obligation to pay the redemption proceeds to each Holder thereof being satisfied by the issuance to such Holder of such number of Preference Shares as have an aggregate paid-up amount (as to its nominal value and any premium on it) equal to the principal amount of the Exchangeable Note to be exchanged. The redemption of the Exchangeable Notes and subscription for and issuance of the Preference Shares will constitute a single transaction initiated and effected solely at the option of the Issuer.

Holders of Exchangeable Notes will not be entitled under any circumstances to the redemption amounts payable in connection with the exchange as described above. Such Holders will receive only the Preference Shares issued by the Issuer on the Exchange Date or delivered by the Issue and Paying Agent or any other party nominated by the Issuer to be its agent in relation to the exchange (the "Preference Share Exchange Agent") in accordance with this Condition in respect of which the redemption amounts will have been applied. Following an exchange in accordance with these Conditions, the Exchangeable Notes will cease to exist for any purpose on the Exchange Date.

The Issuer shall give not less than 30 nor more than 60 days' notice (an "Exchange Notice") to the Trustee, the Issue and Paying Agent, the Preference Share Exchange Agent and the Holders in accordance with Condition 14 of its election to exchange the Notes in accordance with this Condition 7.7. An Exchange Notice will specify:

- (i) the Exchange Date;
- (ii) that on the Exchange Date, the Exchangeable Notes will cease to exist for any purpose on or after the Exchange Date;
- (iii) if fewer than all of the Exchangeable Notes are being exchanged, the Exchangeable Notes to be exchanged;
- (iv) the place or places where the Exchangeable Notes are to be exchanged; and
- (v) whether there is any Deferred Interest outstanding on the Exchangeable Notes and, if so, the amount of such Deferred Interest.

As a pre-condition to the exchange of any Exchangeable Notes, each Holder shall surrender such Exchangeable Notes (together with any unmatured Coupons) at the specified office of the Preference Share Exchange Agent by no later than 10 Business Days prior to the relevant Exchange Date.

Preference Shares to be issued on exchange of Exchangeable Notes will be issued in uncertificated form through the dematerialised securities settlement system operated by Euroclear UK & Ireland Limited (formerly CRESTCo Limited), known as CREST, to the account in CREST of a nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be), unless a Holder delivers to the Preference Share Exchange Agent, together with its Exchangeable Notes, notice of its election to receive Preference Shares credited directly to its account in CREST or Preference Shares in definitive registered form.

In the case of a Holder's election to receive Preference Shares credited directly to its account in CREST, the Holder shall notify the Preference Share Exchange Agent of the name in which the relevant CREST account is held, its CREST participant identification number and its CREST member account identification number. In the case of a Holder's election to receive Preference Shares in definitive registered form, the Holder shall notify the Preference Share Exchange Agent of the name(s) and address(es) of the holder(s) thereof to be

entered on the register of Preference Shares and to which the certificate in respect thereof will be delivered in accordance with these Conditions.

Where Preference Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Holder of the Exchangeable Note to be exchanged by no later than 10 Business Days following the relevant Exchange Date. Where Preference Shares are to be issued in definitive registered form, a certificate in respect thereof will be dispatched by registered courier free of charge to the relevant Holder of the Exchangeable Notes to be exchanged (or as he may direct) within 28 days of the relevant Exchange Date. Preference Shares to be issued on exchange of the Exchangeable Notes will be deemed to be issued on or as of the relevant Exchange Date.

If a Holder fails either (x) to surrender such Exchangeable Notes to the Preference Share Exchange Agent in accordance with this Condition or (y) to provide all details necessary to enable the Issuer to deliver the Preference Shares issued on the relevant Exchange Date directly to such Holder's account in CREST or to such Holder in definitive registered form (as the case may be), such Preference Shares (the "Unclaimed Preference Shares") shall be delivered to a custodian appointed by the Issuer (the "Custodian") which shall hold such Unclaimed Preference Shares on and from the Exchange Date for and on behalf of the Holder entitled thereto (a "Claimant Holder"). Such Claimant Holder may only claim such Unclaimed Preference Shares on surrender of the Exchangeable Notes (together with any unmatured Coupons) to the Preference Share Exchange Agent, together with, if applicable, all information required to enable the Custodian to transfer the Unclaimed Preference Shares directly to the Claimant Holder's account in CREST or to such Claimant Holder in definitive registered form.

Where a Holder fails to surrender an Exchangeable Note to the Preference Share Exchange Agent before the tenth Business Day prior to the Exchange Date in accordance with this Condition, all rights and obligations of the Holder under such Exchangeable Note and any unmatured Coupons shall be extinguished on the relevant Exchange Date, except that such Exchangeable Note shall entitle the Holder thereof to surrender it to the Preference Share Exchange Agent as evidence of its entitlement to Unclaimed Preference Shares. Unclaimed Preference Shares delivered by the Custodian to the relevant Holder shall be so delivered against the delivery to it of the Claimant Holder's Exchangeable Note, whereupon such Exchangeable Note shall be cancelled forthwith (or, in the case of a partial exchange of an Exchangeable Note, so endorsed), and the Holder shall have no further claim against the Issuer, the Trustee, the Paying Agent, the Custodian or the Preference Share Exchange Agent in respect thereof.

The Issuer shall pay any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom in connection with the allotment and issue of any Preference Shares, the transfer of the Preference Shares by the Custodian to the account of the relevant Holder in CREST, the delivery of the Preference Shares by the Custodian to a nominee for Euroclear, Clearstream, Luxembourg and/or DTC to be held in the account specified by the relevant Holder and the transfer or delivery of the Preference Shares by the Custodian to the Holders in definitive registered form. Notwithstanding any other Condition contained herein, this obligation shall survive any cancellation, termination or redemption of the Exchangeable Notes.

The Issuer shall use its reasonable endeavours to ensure that any Preference Shares issued on an exchange in accordance with this Condition 7.7 will be admitted to listing on a stock exchange in Hong Kong, Singapore or a country which is a member of the Organisation for Economic Cooperation and Development in accordance with applicable rules and will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems by which the Preference Shares are then (following application by or on behalf of the Issuer) admitted to listing, trading and/or quotation in accordance with their respective rules.



### 7.8 *Postponement of Redemption Date – Solvency Capital Requirement*

If redemption of the Notes does not occur on the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement on, and immediately following, the relevant Redemption Date, the Notes shall be redeemed at their principal amount or, if applicable, the Make Whole Redemption Price upon the earlier of:

- (a) the date falling 10 Business Days after the date on which the FSA has notified the Issuer of its waiver of the suspension of or agreement to the repayment or redemption of the Notes (which notification by the FSA shall be notified to the Holders not less than 7 days prior to the new Redemption Date); and
- (b) the date on which an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable).

No interest will accrue on any amounts not paid on the Notes due to the Issuer not being in compliance with the Solvency Capital Requirement, *provided*, however, that interest will accrue at the rate of interest specified in Condition 5 in accordance with their terms on such amounts from (and including) the 14th day following the date on which such amounts become due and payable as set out in paragraph (a) or (b) above to (but excluding) the date on which such amounts are paid. Any postponement of the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement shall not constitute a Default.

### 7.9 *Postponement of Redemption Date – Market Disruption Event*

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

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

### 7.10 *Suspension*

Following any takeover offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement in which the company, which immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 14, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent whereupon the operation of the Alternative Coupon Satisfaction Mechanism shall be suspended (such event being a "Suspension"). In such event, the Issuer may, following a Permitted Restructuring, request the Trustee to agree to a Permitted Restructuring Arrangement and the Trustee shall, if the conditions to such Permitted Restructuring Arrangement are satisfied, agree to give effect to such Permitted Restructuring Arrangement (provided that the Trustee is satisfied that the Permitted Restructuring

Arrangement does not impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured to its satisfaction). Unless such event is a Permitted Restructuring and a Permitted Restructuring Arrangement is or will be put into place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank or financial institution appointed by the Issuer (at the expense of the Issuer) and approved by the Trustee will determine what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate or necessary in order (i) to replicate the Alternative Coupon Satisfaction Mechanism in the context of the capital structure of the new Ultimate Owner and (ii) to preserve substantially the financial and economic effect for the Holders of a holding in the Notes. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank or financial institution, the Trustee and the Issuer shall, without the consent of the Holders but subject to the consent of the new Ultimate Owner, effect such amendments and any necessary consequential changes to these Conditions, the Trust Deed and any other relevant documents. Any such amendments shall be subject to the requirements that:

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

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

Upon the occurrence of a Definitive Suspension, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) to another series of notes constituting Qualifying Tier 1 Capital.

On any conversion in accordance with this Condition 7.10, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in conversion of the Notes in accordance with this Condition 7.10, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the notes into which the Notes are to be converted impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted, the Issuer may elect to redeem the Notes as provided in this Condition 7.10.

If, following a Definitive Suspension, the FSA (to the extent required) fails to give its consent or approval to the proposal by the Issuer to convert the Notes into another series of notes constituting Qualifying Tier 1 Capital or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the Notes into Qualifying Tier 1 Capital, then, subject, in each case, to compliance with applicable regulatory requirements and Condition 7.2, and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date (if and so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as this Note is a Floating Rate Note) occurring on or after the Optional Redemption Date, their principal amount and, in respect of any redemption occurring prior to the Optional Redemption Date, at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

#### *7.11 Purchases*

The Issuer and any of its Subsidiaries may, subject to Condition 7.2, at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

#### *7.12 Cancellation*

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

### **8. TAXATION**

All payments of principal and interest (including all payments satisfied by the operation of the Alternative Coupon Satisfaction Mechanism) in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

- (a) presented for payment by, or on behalf of, a Holder who is liable for such taxes, duties or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) presented for payment by, or on behalf of, a Holder who would be able to avoid such withholding or deduction by satisfying any statutory requirements (including, but not limited to, obtaining and/or presenting any form of certificate) or by making a declaration or any other statement or claim for exemption (including, but not limited to, a declaration of nonresidence), but fails to do so; or

- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, the European Council Directive 2003/48/EC (the “Directive”) or any agreement between the European Union and any other jurisdiction providing for equivalent measures; or
- (e) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

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

## **9. PRESCRIPTION**

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

10.1 Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3.3 and Condition 3.6, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition or the Solvency Capital Requirement is not satisfied, at the time of and immediately after any such payment. Also, in the case of any payment of interest in respect of any Notes, such payment will not be due if the Issuer has elected to defer that payment pursuant to Condition 4 or in the circumstances referred to in Condition 4.3(b) and (c) where a payment is deferred and such deferral is stipulated as not a Default.

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

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

10.3 Without prejudice to Condition 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition

binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer relating to or arising from the Notes, the Coupons or the Trust Deed relating to them or arising there from) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.3 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from or under the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

- 10.4 The Trustee shall not be bound to take any of the actions referred to in Condition 10.2 or 10.3 above against the Issuer to enforce the terms of the Trust Deed, the relevant Notes or the relevant Coupons or to take any other action under the Trust Deed unless: (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed.
- 10.5 No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up in England and Wales of the Issuer or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure is continuing, in which case a Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.
- 10.6 No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Holder, whether for the recovery of amounts owing in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom.

## **11. REPLACEMENT OF NOTES, COUPONS AND TALONS**

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

## **12. PAYING AGENTS**

The names of the initial Paying Agents and their specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar;

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it maintains a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, the Directive (as defined in Condition 8); and
- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes and Coupons (so long as there is such a jurisdiction).

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Notice of any variation, termination, appointment or change in Paying Agents will be given to Holders promptly by the Issuer in accordance with Condition 14.

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

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

### **13. EXCHANGE OF TALONS**

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

### **14. NOTICES**

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

the date of the first publication or, where required to be published in more than one newspaper, on the date of publication in the last of such newspapers.

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

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

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

### *15.1 Meetings*

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

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

### *15.2 Modifications*

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee is proven provided that, in the case of a modification, the Issuer has given one month's prior notice to the FSA and the FSA has consented to or approved such modification, to the extent that consent or approval to such modification is required.

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

### 15.3 *Substitution*

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

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

### 15.4 *Exercise of Trustee's powers and discretions*

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

## **16. FURTHER ISSUES**

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

## **17. DEFINITIONS**

In these Conditions:

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

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



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

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

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

“Capital Adequacy Condition” means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer’s wholly-owned subsidiary (“Prudential Assurance”), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Senior Creditors, by at least 125% or such percentage specified by the FSA as the Regulatory Capital Requirement applicable to Prudential Assurance (*as at 31 December, 2011, approximately 13%*); or
- (d) in relation to the Issuer’s EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

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

“Compulsory Interest Payment Date” means, in respect of Option A Notes, each Interest Payment Date: (a) on which the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so; and (b) that is not an Optional Interest Payment Date;

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

A “Default” in respect of the Notes shall occur if:

- (a) the Issuer fails to pay the amount due to satisfy any interest payment which has not been deferred, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and, if applicable, any Deferred Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

“Deferred Interest” means any interest payment in respect of the Notes which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9 and any interest payments that the Issuer does not make because the Solvency Condition or the Solvency Capital Requirement is not met, and which has not been satisfied;

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

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

“Exchangeable Notes” means any Notes to which the Issuer Exchange Option applies as specified in the Final Terms;

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

“FSMA” means the Financial Services and Markets Act 2000;

“Group” means the Issuer and its Subsidiaries;

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

“Initial Rate of Interest” has the meaning specified in the Final Terms;

“insurance undertaking” has the meaning given to such term in the Solvency II Directive;

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

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

“Make Whole Redemption Price” means, as specified in the Final Terms, (i) the Spens Amount, calculated in accordance with Condition 7.6, (ii) the Make Whole Redemption Amount, calculated in accordance with Condition 7.6, or (iii) the amount per Calculation Amount specified in the Final Terms;

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

Deferred Interest, the occurrence of any event that makes it impracticable to effect such conversion, in each case as certified to the Trustee in a certificate signed by two Directors of the Issuer;

“Mid Swap Maturity” has the meaning specified in the Final Terms;

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

“Optional Interest Payment Date” has the meaning given to that term in Condition 4.1A;

“Optional Redemption Amount” means the amount so specified in the Final Terms;

“Optional Redemption Date” means the date so specified in the Final Terms;

“Option A Notes” means any Notes so specified in the Final Terms;

“Option B Notes” means any Notes so specified in the Final Terms;

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

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

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

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

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

“Permitted Restructuring Arrangement” means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than

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

"Preference Shares" means preference shares of the Issuer having terms in accordance with the provisions of Condition 7.7;

"Qualifying Tier 1 Capital" means notes that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 4.2 (if applicable), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and certified by two Directors of the Issuer to the Trustee, provided that they shall:
  - (i) contain terms which comply with then current requirements of the FSA in relation to, prior to the Solvency II Implementation Date, Tier 1 Capital or, on and from the Solvency II Implementation Date, Tier 2 Own Funds;
  - (ii) bear the same rate of interest from time to time applying to the Notes but not necessarily having provisions analogous to the provisions of Condition 4.3 and preserve the Interest Payment Dates;
  - (iii) 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 applying to the Notes;
  - (iv) rank at least *pari passu* with the Notes;
  - (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 1 Capital may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A or Condition 7.5B and subject to the same conditions as those set out in Condition 7.2);
  - (vi) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 1 Capital or conversion of such Qualifying Tier 1 Capital into Ordinary Shares; and
  - (vii) preserve any existing rights under these Conditions to any Deferred Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid; and
- (b) are listed or admitted to trading on a Recognised Stock Exchange;

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

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

“Regulatory Assets” means the assets eligible to satisfy the Regulatory Capital Requirement;

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

A “Regulatory Event” is deemed to have occurred if:

- (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or
- (b)
  - (i) prior to the Solvency II Implementation Date, at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group is required under any Regulatory Capital Requirement to have Tier 1 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis; or
  - (ii) on or after the Solvency II Implementation Date, at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Notes would no longer be capable of counting as Tier 2 Own Funds or as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis,

provided that, unless the FSA indicates otherwise, no Regulatory Event shall be deemed to have occurred at any time on or following the date of a Solvency II Regulatory Event.

“Reset Date(s)” means the date(s) specified in the Final Terms;

“Reset Determination Date(s)” means the date(s) so specified in the Final Terms;

“Reset Margin” means the margin so specified in the Final Terms;

“Reset Period” has the meaning set out in Condition 5B.1;

“Senior Creditors” means:

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

- (d) all other creditors having claims, including other such creditors holding subordinated debt securities, except those that rank, or are expressed to rank, equally with (including the holders of Parity Securities) or junior to (including holders of Junior Securities) the claims of the Holders in respect of the Notes;

“Solvency Capital Requirement” means, following the implementation of the Solvency II Directive and the Solvency II Regulations, the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group referred to in, or any other minimum capital requirement howsoever described in, the Solvency II Directive or the Solvency II Regulations;

“Solvency Condition” has the meaning set forth in Condition 3.3;

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

“Solvency II Implementation Date” means the date as determined by the Issuer, acting reasonably, and following consultation with the FSA, of entry into force in full of the Solvency II Directive and the Solvency II Regulations;

“Solvency II Implementation Trigger Date” means the date falling six months before the Solvency II Implementation Date or, if later, the date on which the Issuer becomes aware of the Solvency II Implementation Date;

“Solvency II Regulations” means the rules and regulations of the FSA implementing the Solvency II Directive that require the Issuer or any of the Issuer’s EEA Insurance Subsidiaries to meet a Solvency Capital Requirement including, without limitation, pursuant to the Solvency II Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Solvency II Directive;

A “Solvency II Regulatory Event” is deemed to have occurred on the Solvency II Implementation Trigger Date if, on the Solvency II Implementation Trigger Date, the Issuer, acting reasonably (and following consultation with the FSA), expects that the Notes will not, on the Solvency II Implementation Date, by reason of the application of the Solvency II Directive or the Solvency II Regulations, be capable of counting as Tier 2 Own Funds, except where such non-qualification is as a result of any applicable limitation on the amount of such capital;

“Subsequent Reset Rate” has the meaning set out in Condition 5B.1;

“Subsequent Reset Rate Screen Page” has the meaning specified in the Final Terms;

“Subsequent Reset Rate Time” has the meaning specified in the Final Terms;

“Subsequent Reset Reference Rate(s)” has the meaning(s) specified in the Final Terms;

“Subsidiary” means a subsidiary undertaking within the meaning set out in section 1162 of the Companies Act 2006;

“Tax Call Event” refers to the occurrence of the circumstances described:

- (a) in clause (a) of the definition of Tax Event; or

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

"Tax Event" means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest, on the next Interest Payment Date in respect of any Notes would be treated as "distributions" within the meaning of section 1000 of the Corporation Tax Act 2010 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

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

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

"Tier 1 Own Funds" means subordinated notes which are capable of counting as cover for capital requirements or treated as tier 1 "own funds" (howsoever described in the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the group, whether on a solo, group or consolidated basis;

"Tier 2 Capital" has the meaning given to that term from time to time by the FSA;

"Tier 2 Own Funds" means subordinated notes which are capable of counting as cover for capital requirements or treated as tier 2 "own funds" (howsoever described in the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the group, whether on a solo, group or consolidated basis; and

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

## **18. GOVERNING LAW**

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

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the relevant Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

### 1. Form of Global Notes

#### (A) *Registered Notes*

Unless otherwise provided with respect to a particular Series of Registered Notes, each Tranche of Registered Notes offered and sold in reliance on Regulation S under the Securities Act, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Note which will be deposited with a common depository or (in the case of Notes intended to be held under the New Safekeeping Structure (“NSS”)) a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 of the relevant Terms and Conditions and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes of each Tranche of a particular Series may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs in reliance on Rule 144A under the Securities Act will be represented by a Rule 144A Global Note which will be deposited with Citibank, N.A. as custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Registered Notes will not be exchangeable for Bearer Notes.

Interests in the Regulation S Global Note and the Rule 144A Global Note will be exchangeable for Definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes “Exchange Event” means (i) (in the case of both the Regulation S Global Note and the Rule 144A Global Note) (a) in respect of Senior Notes, an Event of Default (as defined in the Trust Deed) has occurred and is continuing or (b) in respect of Tier 1 Notes or Tier 2 Notes, a Default has occurred and is continuing, (ii) (in the case of a Regulation S Global Note) Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and, in any such case, no alternative clearing system satisfactory to the Trustee is available, (iii) (in the case of the Rule 144A Global Note) DTC has notified the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Rule 144A Global Note or has ceased to be a “Clearing Agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository, (iv) (in the case of both the Regulation S Global Note or the Rule 144A Global Note), the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Registered Notes represented by the relevant Registered Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to the Holders in accordance with Condition 14 of the relevant Terms and Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or, as the case may be, DTC (acting on the instructions of any holder of an interest in the relevant Registered Global Note) or the Trustee may give notice to the Registrar requesting



exchange and, in the case of (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall take place not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Definitive Registered Notes may also be sold outside the United States in reliance on Regulation S under the Securities Act.

Payments of the principal of, and interest (if any) on, the Registered Global Notes will be made to the nominee of DTC and/or of Euroclear and/or Clearstream, Luxembourg as the registered holder(s) of the Registered Global Notes. None of the Issuer, the Trustee, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of interest on the Registered Global Notes will be made on the relevant payment date to the person in whose name such Notes are registered on the Record Date (as defined in Condition 6.4 of the relevant Terms and Conditions) immediately preceding such payment date.

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

**(B) Bearer Notes**

Each Tranche of Bearer Notes will initially be represented by either (i) a Temporary Global Note or (ii) a Permanent Global Note, in each case without interest coupons or talons, which will (i) if the Bearer Global Notes are intended to be issued in NGN form ("NGN"), as specified in the relevant Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Bearer Global Notes are not intended to be issued in NGN form, as specified in the relevant Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Global Note and subject to TEFRA D selling restrictions, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issue and Paying Agent. The foregoing U.S. beneficial ownership certification requirement will not be applicable to payments of principal and interest (if any) on any Bearer Note that is treated as in registered form for U.S. federal income tax purposes.

On and after the date (the "Exchange Date") which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without interest coupons or talons or for Definitive Bearer Notes with, where applicable, interest coupons and talons attached (as indicated in the relevant Final Terms) in each case (if the Bearer Notes are subject to TEFRA D selling restrictions) against certification of beneficial ownership as described in the second sentence of the

immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not issued in NGN form) without any requirement for certification. The relevant Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, interest coupons and talons attached either (a) upon not less than 30 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issue and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes "Exchange Event" means that (i) (a) in respect of Senior Notes, an Event of Default (as listed in Condition 10 of the relevant Terms and Conditions) has occurred and is continuing or (b) in respect of Tier 1 Notes or Tier 2 Notes, a Default has occurred and is continuing; (ii) Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and, in any such case, no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to the Holders in accordance with Condition 14 of the relevant Terms and Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Issue and Paying Agent requesting exchange and, in the case of (iii) above, the Issuer may also give notice to the Issue and Paying Agent requesting exchange. Any such exchange shall take place not later than 45 days after the date of receipt of the first relevant notice by the Issue and Paying Agent.

The exchange upon notice option, as described in paragraph (a) above, should not be expressed to be applicable if the Notes are issued in denominations comprising a minimum Specified Denomination (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)). Furthermore, such denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Bearer Notes.

Bearer Notes will not be exchangeable for Registered Notes.

### **(C) General**

Pursuant to the Agency Agreement (as defined under the relevant Terms and Conditions), the Issue and Paying Agent shall arrange that, where a further Tranche of Notes is issued and represented by a Temporary Global Note, the Notes of such Tranche shall be assigned (where applicable) a common code and ISIN by Euroclear and Clearstream, Luxembourg or CUSIP number which are different from the common code and ISIN or CUSIP number assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Issue and Paying Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Notes which are represented by a Global Note will be transferable only in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

In respect of Notes represented by a global Note issued in NGN form or held under the NSS, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both

Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

The Issuer has entered or will enter into an agreement with Euroclear and Clearstream, Luxembourg (the “ICSDs”) in respect of any Notes issued in NGN form or held under the NSS that the Issuer may request be made eligible for settlement with the ICSDs (the “Issuer-ICSDs Agreement”). The Issuer-ICSDs Agreement sets out or will set out that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer’s request, produce a statement for the Issuer’s use showing the total nominal amount of its customer holding of such Notes as of a specified date.

Where the global Notes issued in respect of any Tranche are in NGN form or held under the NSS, the ICSDs will be notified whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for NGNs and Notes held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

## **2. Notices**

For so long as all of the Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes, and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 14 provided that, so long as such Notes are listed on a stock exchange or admitted to listing by another relevant authority, such stock exchange or other relevant authority so agrees. Any such notice shall be deemed to have been given to the Holders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) as aforesaid.

## **3. Accountholders**

For so long as all of the Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Notes (each an “Accountholder”) (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/ or DTC (as the case may be) as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such nominal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Holders) other than with respect to the payment of principal and interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents and making requests, the rights to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Temporary Global Note or, as the case may be, Permanent Global Note or, as the case may be, the registered holder of the Registered Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

#### **4. Prescription**

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 of the relevant Terms and Conditions).

#### **5. Cancellation**

Cancellation of any Note represented by a Global Note and required by the relevant Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Issue and Paying Agent of the reduction in the nominal amount of the relevant Global Note on the relevant schedule thereto.

#### **6. Investor Put – Senior Notes only**

For so long as all of the Senior Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, the option of the Holders provided for in Condition 7.4 of the Terms and Conditions of the Senior Notes may be exercised by the Accountholders giving a duly completed redemption notice in the form obtainable from any of the Paying Agents to the Issue and Paying Agent of the nominal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Issue and Paying Agent for notation accordingly within the time limits set forth in that Condition. Such redemption notices shall be given in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be).

#### **7. Issuer Call**

For so long as all of the Senior Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, no drawing (if applicable) of Senior Notes will be required under Condition 7.3 of the Terms and Conditions of the Senior Notes in the event that the Issuer exercises its call option pursuant to Condition 7.3 in respect of less than the aggregate nominal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC shall operate to determine which interests in the Global Note(s) are to be subject to such option (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).

#### **8. Issuer Exchange Option**

As a pre-condition to the exchange of any Exchangeable Notes represented by either (i) a Temporary Global Note or a Permanent Global Note or (ii) one or more Registered Global Notes where such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, each Accountholder shall authorise Euroclear, Clearstream, Luxembourg or DTC (as the case may be), in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be), to transfer such Exchangeable Notes to the account of the Preference Share Exchange Agent by no later than 10 Business Days prior to the relevant Exchange Date, together, if applicable, with notice of its election to receive Preference Shares credited directly to its account in CREST or Preference Shares in definitive registered form.

In the case of an election to receive Preference Shares credited directly to its account in CREST, the Accountholder shall notify the Preference Share Exchange Agent in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) of the name in which the

relevant CREST account is held, its CREST participant identification number and its CREST member account identification number. In the case of an election to receive Preference Shares in definitive registered form, the Accountholder shall notify the Preference Share Exchange Agent of the name(s) and address(es) of the holder(s) thereof to be entered on the register of Preference Shares and to which the certificate in respect thereof will be couriered in accordance with Condition 7.7.

Exchangeable Notes to be exchanged shall be redeemed by the Issuer on the relevant Exchange Date, subject to the Conditions. On each Exchange Date, the Preference Share Exchange Agent will notify the Paying Agent of the nominal amount of all Exchangeable Notes to be redeemed (including any Exchangeable Notes which have not been transferred to the Preference Share Exchange Agent in accordance with Condition 7.7) and the Paying Agent shall procure that, in the case of any Exchangeable Notes which are NGNs or are held under the NSS, Euroclear and/or Clearstream, Luxembourg shall make appropriate entries in their records to reflect such redemption or, in the case of all other Exchangeable Notes, an endorsement is effected by or on behalf of the Issue and Paying Agent of the reduction in the nominal amount of the relevant Global Note on the relevant schedule thereto.

If an Accountholder fails either (x) to transfer its Exchangeable Notes to the account of the Preference Share Exchange Agent in accordance with the terms set out above or (y) to provide all details necessary to enable the Issuer to transfer the Preference Shares issued on the relevant Exchange Date directly to such Accountholder's account in CREST or to such Accountholder in definitive registered form (as the case may be), all rights and obligations of the Holder under such Exchangeable Notes will be extinguished on the relevant Exchange Date and the relevant Accountholder hereby irrevocably authorises the Paying Agent to instruct Euroclear, Clearstream, Luxembourg or DTC (as the case may be) to debit the amount standing to the credit of its account in respect of such Exchangeable Notes and to credit such account with that Accountholder's entitlement to Preference Shares on the relevant Exchange Date. On such Exchange Date, the Issuer shall (regardless of any instruction of the Accountholder to the contrary) transfer the Preference Shares to be issued to such Accountholder to the nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be), and the Preference Share Exchange Agent shall debit the Exchangeable Notes from such Accountholder's account, whereupon such Exchangeable Notes shall be cancelled forthwith, and such Accountholder's account in Euroclear, Clearstream, Luxembourg or DTC (as the case may be) shall be credited with such Preference Shares in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) and such Accountholder shall have no further claim against the Issuer, the Trustee, the Paying Agent or the Preference Share Exchange Agent in respect thereof.

#### **9. Euroclear, Clearstream, Luxembourg and DTC**

References herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall (except in relation to Notes issued in NGN form or held under the NSS) be deemed to include references to any other clearing system specified in the relevant Final Terms or as may otherwise be approved by the Issuer, the Issue and Paying Agent and the Trustee.

## **USE OF PROCEEDS**

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The net proceeds from each issue of Notes will be applied by the Issuer for general corporate purposes.

## BOOK-ENTRY CLEARANCE SYSTEMS

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*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Trustee and any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### **Book-entry System**

Registered Notes sold in reliance on Rule 144A under the Securities Act, whether as part of the initial distribution of the Investments or in the secondary market, are eligible to be held in book-entry form in DTC. DTC has advised the Issuer that it is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”) DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners

are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Issue and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in a "street name", and will be the responsibility of such Participant and not of DTC or the Issuer subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC is the responsibility of the Issuer, the disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.



## **Book-entry Ownership of Notes represented by a Registered Global Note**

The Issuer will apply to DTC in order to have each Tranche of Notes represented by Registered Global Notes accepted in DTC's book-entry settlement system. Upon the issue of any Registered Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Registered Global Note will be limited to Direct Participants or Indirect Participants including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

The custodian with whom a Registered Global Note is deposited (the "Custodian") and DTC will electronically record the nominal amount of Notes represented by a Registered Global Note held within the DTC system. Clearstream, Luxembourg and Euroclear will hold Notes represented by a Registered Global Note on behalf of their respective accountholders through customer's securities accounts in the name of their respective depositaries, which in turn will hold such interests in the Registered Global Notes in customers' securities accounts in the depositaries' names, as shown in the records of DTC. Investors may hold Notes represented by a Rule 144A Global Note through Direct Participants and Indirect Participants.

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than US dollars, payment will be made to the Exchange Agent on behalf of DTC's nominees and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into US dollars and credited to the applicable Participants' accounts.

DTC customarily credits accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to beneficial owners of Notes are customarily governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participants and not the responsibility of DTC, the Issue and Paying Agent, the Registrar or the Issuer. Payments of principal, premium, if any, and interest, if any on Notes to DTC are the responsibility of the Issuer.

Application will be made to Euroclear and Clearstream, Luxembourg on behalf of the Issuer in order to have Tranches of Notes represented by Registered Global Notes accepted in their respective book-entry settlement systems.

## **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note will be effected in accordance with the customary rules and operating procedures of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note

to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Note through a direct or indirect participant in the DTC system.

### **Secondary Trading, Same-Day Settlement and Payment**

All payments made by the Issuer with respect to Registered Notes registered in the name of Cede & Co. as nominee of DTC, will be passed through to DTC in same-day funds. In relation to any secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Trading Within Same Clearing System**

#### ***Trading within DTC***

If neither the seller nor the purchaser of Notes represented by a Registered Global Note holds or will receive, as the case may be, such Notes through a participant in the DTC system acting on behalf of Euroclear or Clearstream, Luxembourg, the trade will settle in same-day funds and in accordance with the rules, regulations and procedures of DTC.

#### ***Trading within Euroclear or Clearstream, Luxembourg***

Transfers between accountholders in Euroclear and Clearstream, Luxembourg will be effected in accordance with their respective rules and customary operating procedures.

### **Trading between Clearing Systems**

#### ***Trading between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser***

Due to time zone differences in their favour, Euroclear and Clearstream, Luxembourg accountholders may employ customary procedures for transactions in which Notes represented by a Registered Global Note are to be transferred by Euroclear or Clearstream, Luxembourg to a participant in the DTC system. The Seller will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg accountholder at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct its respective depository to deliver interests in a Registered Global Note to a participant's account against payment. Payment will include interest (if any) accrued on such Notes from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Such payment will then be reflected in the account of the Euroclear or Clearstream, Luxembourg accountholder the following business day, and receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg accountholder's account will be back-valued to the value date (which would be the preceding business day on which settlement occurred in New York). Should the Euroclear or Clearstream, Luxembourg accountholder have a line of credit for its account, the back-valuation will extinguish any overdraft charges incurred during such one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg accountholder's account would be valued instead as of the actual settlement date.

#### ***Trading between a DTC seller and a Euroclear or Clearstream, Luxembourg purchaser***

When interests in a Registered Global Note are to be transferred from the account of a participant to the account of a Euroclear or Clearstream, Luxembourg accountholder, the purchaser will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its respective depository to receive such Notes against payment. Payment will

include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depositary to the participant's account against delivery of the interests in such Notes. After settlement has been completed, the interests in such Notes will be credited to and by Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with their respective customary procedures, to the appropriate accountholder's account. Such Notes will be credited the next day (Central European Time), and the cash debit will be back-valued to, and any interest on such Notes will accrue from (and including) the value date (which would be the preceding day on which settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will instead be valued as of the actual settlement date.

Day traders that use Euroclear or Clearstream, Luxembourg to purchase interests in a Regulation S Global Note from participants for delivery to Euroclear or Clearstream, Luxembourg accountholders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- (i) borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream, Luxembourg accounts) in accordance with the customary procedures of Euroclear or Clearstream, Luxembourg;
- (ii) borrowing such Notes in the United States from a participant no later than one day prior to settlement, which would give such Notes sufficient time to be reflected in their Euroclear or Clearstream, Luxembourg accounts in order to settle the sell side of the trade; or
- (iii) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant occurs at least one day prior to the value date for the sale to the Euroclear or Clearstream, Luxembourg accountholder.

Euroclear or Clearstream, Luxembourg accountholders will need to make available to Euroclear or Clearstream, Luxembourg, as the case may be, the funds necessary to process the same-day funds settlement, either from cash on-hand or existing lines of credit, as Euroclear or Clearstream, Luxembourg participants would for any settlement occurring within the Euroclear or Clearstream, Luxembourg system. Under this approach, Euroclear or Clearstream, Luxembourg participants may take on credit exposure to Euroclear or Clearstream, Luxembourg, as the case may be, until the Notes are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream, Luxembourg has extended a line of credit to a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, such accountholder may elect not to pre-position funds and allow such credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream, Luxembourg accountholders purchasing interests in a Registered Global Note held in the DTC system would incur overdraft charges for one day, assuming that they have cleared such overdraft when such interests have been credited to their accounts. However, any interest on such Notes would accrue from the value date. In many cases, the investment income on the Notes held in the DTC system earned during such one-day period may substantially reduce or offset the amount of such overdraft charges.

Since settlement takes place during New York business hours, participants can employ their customary procedures for transferring Notes represented by a Registered Global Note to respective depositaries of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear or Clearstream, Luxembourg accountholders. The sale proceeds will be available to the DTC seller on the settlement date. To the participants, a cross-market transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled using clearing-house or next-day funds. In contrast, Notes represented by a Registered Global Note held through direct or indirect participants will trade through DTC's Same-Day Funds Settlement System until the earliest to occur of the maturity date or the redemption date, and secondary market trading activity in such Notes will therefore settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activities in respect of such Notes.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Agents and any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

While Registered Global Notes are lodged with DTC or its custodian, Notes evidenced by certificates in definitive form will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear system.

## PRUDENTIAL plc

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### Business Overview

Prudential plc (“Prudential”), the Issuer, was incorporated as a private company limited by shares on 1 November, 1978 and re-registered as a public company limited by shares in England and Wales with registered number 1397169 on 20 January, 1982 under the Companies Acts 1948 to 1980. On 1 October, 1999 Prudential changed its name to Prudential public limited company. The registered office of Prudential is at Laurence Pountney Hill, London EC4R 0HH with telephone number +44 (0)20 7220 7588. The head office of Prudential is at 12 Arthur Street, London EC4R 9AQ with telephone number +44 (0)20 7220 7588.

Prudential is the parent company of the Prudential group (the “Prudential Group” or the “Group”). The Prudential Group is an international financial services group, with significant operations in Asia, the United States and the United Kingdom. It has been in existence for over 160 years, serves over 26 million customers and has £363 billion in assets under management (as at 30 June, 2012). At 30 June, 2012, Prudential was one of the 30 largest public companies in the United Kingdom in terms of market capitalisation on the London Stock Exchange. Prudential is not affiliated with Prudential Financial, Inc. or its subsidiary, The Prudential Insurance Company of America.

The Prudential Group is structured around four main business units: Prudential Corporation Asia, Jackson National Life Insurance Company (“Jackson”), Prudential UK insurance operations and M&G. These are supported by central functions which are responsible for strategy, cash and capital management, leadership development and succession, reputation management and other core group functions.

Prudential Corporation Asia’s core business is life insurance, health and protection, either attached to a life policy or on a standalone basis, and mutual funds. It also provides selected personal lines property and casualty insurance, group insurance, institutional fund management and consumer finance (Vietnam only). The product range offered is tailored to suit the individual country markets. Insurance products are distributed mainly through an agency sales force together with selected banks, while the majority of mutual funds are sold through banks and brokers. Joint venture partners are mandatory in some markets: for example, the life insurance operation in China is a 50 per cent equity joint venture with CITIC; in India Prudential has a 26 per cent equity stake in a joint venture with ICICI and in Malaysia its Takaful business is a 70 per cent equity joint venture with Bank Simpanan Nasional. In the fund management business Prudential holds a 49 per cent equity stake in a joint venture with ICICI, in China it has a 49 per cent equity stake in a joint venture with CITIC and in Hong Kong it has a 36 per cent equity stake in a joint venture with Bank of China International.

As at 30 June, 2012, Prudential Corporation Asia had:

- over 16 million customers with life and fund management operations in 12 markets;
- distribution relationships with over 75 institutions across Asia including Standard Chartered Bank (SCB), United Overseas Bank Limited (UOB) and joint venture partners ICICI in India and CITIC in China;
- one of the largest networks of tied agents, comprising over 365,000 agents; and
- consistently high brand recognition, outperforming many other financial services companies and had received multiple awards for its customer service. Prudential was in the top three for market share of new business in Hong Kong, India, Indonesia, Malaysia, Singapore, the Philippines and Vietnam.

On 14 February, 2012, Prudential announced that its Asia Fund Management operations would be rebranded Eastspring Investments, and that the new brand would replace a number of different business names that the asset management business had operated under across Asia.

On 5 November, 2012, the Issuer announced that, through Prudential Thailand, it and Thanachart Bank Public Company Limited (“Thanachart Bank”) have entered into an agreement to establish an exclusive 15-year partnership to develop jointly their bancassurance business in Thailand.

On the same day, the Issuer also announced Prudential Thailand will acquire 100 per cent of Thanachart Life, a wholly-owned life insurance subsidiary of Thanachart Bank. The consideration for Thanachart Life is £358 million (THB 17.5 billion) settled in cash on completion, with a further payment of £10 million (THB 0.5 billion) payable 12 months after completion, subject to a post-completion adjustment to reflect the net asset value as at the completion date. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2013.

In the United States, Prudential offers a range of products through Jackson, including fixed annuities (interest annuities, fixed index and immediate annuities), variable annuities, life insurance and institutional products (including guaranteed investment contracts and funding agreements). Jackson discontinued new sales of life insurance products effective 1 August, 2012. Jackson distributes these products through independent insurance agents; independent broker-dealers; regional broker-dealers; wirehouses; registered investment advisers; a small captive agency channel, consisting of approximately 100 life insurance agents; and banks, credit unions and other financial institutions.

Jackson also offers fee-based separately managed accounts and investment products through Curian Capital, LLC, which is Jackson’s registered investment adviser.

As at 30 June, 2012, in the United States, Jackson:

- was among the 20 largest life insurance companies in terms of General Account assets;<sup>1</sup>
- was a top three player in US variable annuities;<sup>2</sup>
- held the “Highest Customer Satisfaction by Industry” award from Service Quality Measurement Group;<sup>3</sup> and
- was rated as a ‘World Class’ service provider for the sixth successive year by Service Quality Measurement Group.<sup>3</sup>

As of the date of this Prospectus, Jackson’s financial strength is rated AA (negative outlook) by Standard & Poor’s Financial Services LLC, AA (stable outlook) by Fitch, Inc., A1 (stable outlook) by Moody’s Investors Service, Inc. and A+ (stable outlook) by A.M. Best Company, Inc.

On 4 September, 2012, Jackson completed the acquisition of SRLC American Holding Corp (“SRLC”) from Swiss Re for an initial consideration of £417 million. SRLC was the U.S. holding company of Reassure America Life Insurance Company (“REALIC”). The acquisition helps diversify Jackson’s sources of earnings by increasing the amount of income generated from underwriting activities.

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<sup>1</sup> Source: Statutory financial data per SNL Financial LLC

<sup>2</sup> Source: Morningstar Annuity Research Center (MARC) Second Quarter 2012 Sales Report<sup>®</sup>. © Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

<sup>3</sup> Source: Service Quality Measurement Group

In the United Kingdom, Prudential is structured into Prudential UK insurance operations and M&G and offers a range of retail financial products and services, including long-term insurance and asset accumulation and retirement income products (life insurance, pensions and pension annuities), retail investment and unit trust products, and fund management services. Prudential in the United Kingdom primarily distributes these products through financial advisers, partnership agreements with banks and other financial institutions, and direct marketing, by telephone, mail, internet and face-to-face advisers.

As at 30 June, 2012, Prudential UK insurance operations in the United Kingdom:

- was one of the market leaders in the individual annuity market and the with-profits market;<sup>1</sup> and
- had total company investment assets of £153 billion on the balance sheet, comprising £89 billion within the with-profits sub fund, £55 billion within shareholder-backed business and £9 billion in the Scottish Amicable Insurance Fund.

As of the date of this Prospectus, the financial strength of The Prudential Assurance Company Limited (“PAC”) was rated Aa2 (stable outlook) by Moody’s, AA (negative outlook) by Standard & Poor’s and AA (stable outlook) by Fitch.

As of 30 June, 2012, M&G, which is the UK and European fund manager of the Prudential Group;

- had responsibility for £203 billion of investments on behalf of both internal and external clients; and
- held the award of the prestigious Outstanding Investment House of the Year 2011 Award. In October 2012, M&G received this award for 2012, shared with First State Investments, making this the third consecutive win for M&G. M&G’s institutional business held the award of Fixed Income Manager of the Year 2011 at the Financial News Awards for Excellence in Institutional Asset Management. M&G’s international business has also been recognised for its investment performance, winning the UK Pensions Awards 2012.

### **Memorandum and Articles of Association**

Prudential is incorporated and registered in England and Wales, under registered number 1397169 and copies of its Memorandum and Articles of Association can be viewed on Prudential’s website at [www.prudential.co.uk](http://www.prudential.co.uk).

### **Prudential’s Share Capital**

As at 6 December, 2012, the allotted, called up and fully paid share capital of Prudential consisted of £127,859,018.75 divided into 2,557,180,375 ordinary shares of 5p each.

### **Organisational Structure of the Prudential Group**

Prudential is the holding company of all the companies in the Prudential Group and its assets are substantially comprised of shares and loans in such companies. It does not conduct any other business and is accordingly dependent on the other members of the Prudential Group and revenues received from them. The following table shows the principal operating subsidiaries of Prudential, being those which are considered by Prudential to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position, profits and losses and prospects of Prudential as at 31 December, 2011:

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<sup>1</sup> Source: Association of British Insurers (“ABI”)

Name of Company	Percentage Owned <sup>(1)</sup>	Country of Incorporation
The Prudential Assurance Company Limited	100%	England and Wales
Prudential Annuities Limited <sup>(2)</sup>	100%	England and Wales
Prudential Retirement Income Limited <sup>(2)</sup>	100%	Scotland
M&G Investment Management Limited <sup>(2)</sup>	100%	England and Wales
Jackson National Life Insurance Company <sup>(2)</sup>	100%	United States
Prudential Assurance Company Singapore (Pte) Limited <sup>(2)</sup>	100%	Singapore

(1) Each subsidiary has one class of ordinary shares and operates mainly in its country of incorporation, except for Prudential Retirement Income Limited which operates mainly in England and Wales.

(2) Owned by a subsidiary of Prudential.

### Major Shareholders and Significant Changes in Ownership

Rule 5.1.2R of the UK Listing Authority's Disclosure and Transparency Rules provides that a person (including a company and other legal entities) who acquires voting rights of 3 per cent or more in Prudential ordinary shares is required to notify Prudential of its interest. Prudential is required to announce publicly any such interest notified to it. After the 3 per cent level is exceeded, similar notifications must be made if the notifiable interest changes to reach, exceed or fall below every 1 per cent above 3 per cent. A notification is also required once the interest falls below 3 per cent.

For the purposes of the notification obligations, the holding of voting rights by a person includes voting rights held through his direct or indirect holdings of shares or financial instruments. The indirect holding of voting rights includes, for example, voting rights held by a third party with whom the person has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question.

Some interests in voting rights may be disregarded for purposes of the notification obligations (e.g. those held by certain investment fund managers on behalf of a client), except at the thresholds of 5 per cent and 10 per cent, and each 1 per cent above 10 per cent. In addition, for the purposes of the notification obligations, holdings of disregarded interests must be aggregated with holdings of non-exempt interests.

As at 19 October, 2012, Prudential has received notification of interests in voting rights in Prudential plc from Legal & General Group plc of 3.99 per cent, from Norges Bank of an interest in 4.03 per cent, from BlackRock, Inc of an interest in 5.08 per cent and from Capital Research and Management Company, of an interest in 10.39 per cent in the voting rights.

### Contingencies and related obligations

Consistent with IAS 37, "Provisions, contingent liabilities and contingent assets", appropriate provision has been made in the financial statements where the Prudential Group has an obligation arising from events or activities described below, where a realistic estimate of the obligation can be made, but not for contingent liabilities.

### Litigation

Prudential and its subsidiaries are involved in various litigation matters. While an adverse ruling in any individual case may not in itself be material to Prudential, if applied across all similar cases, the potential liabilities may be more significant. Although the outcome of such matters cannot be predicted with certainty,



management believes that the ultimate outcome of such litigation will not have a material adverse effect on the Prudential Group's financial condition, results of operations or cash flows.

Jackson is involved as a defendant in class action litigation substantially similar to class action litigation pending against many life insurance companies that alleges misconduct in the sale and administration of insurance products. Jackson generally accrues a liability for legal contingencies with respect to pending litigation once management determines that the contingency is probable and estimable. Accordingly, on 30 June, 2012, Jackson had recorded an accrual of £12 million for class action litigation. Management, based on developments to date, believes that the ultimate disposition of the litigation is not likely to have a material impact on Jackson's financial condition or results of operations.

### **Pension mis-selling review**

The pensions review by the UK insurance regulator (which is the FSA) of past sales of personal pension policies required all UK life insurance companies to review their cases of potential misselling and record a provision for the estimated costs. The Prudential Group met the requirement of the FSA to issue offers to all cases by 30 June, 2002.

The table below summarises the change in the pension mis-selling provision for the half year ended 30 June, 2012. The change in the provision is included in benefits and claims in the income statement and the movement in unallocated surplus of with-profits funds has been determined accordingly.

	<b>2012</b>
	<b>£m</b>
Balance at beginning of period .....	<b>362</b>
Changes to actuarial assumptions and method of calculation .....	<b>27</b>
Discount unwind .....	<b>1</b>
Redress to policyholders .....	<b>(21)</b>
Payment of administrative costs .....	<b>(1)</b>
	<hr/>
Balance at end of period .....	<b>368</b>

The pension mis-selling provision is included within the liabilities in respect of investment contracts with discretionary participation features under IFRS 4.

The directors believe that, based on current information, the provision, together with future investment return on the assets backing the provision, will be adequate to cover the costs of pension mis-selling including administration costs. Such provision represents the best estimate of probable costs and expenses. However, there can be no assurance that the current provision level will not need to be increased.

The costs associated with the pension mis-selling review have been met from the inherited estate (see below). Accordingly, these costs have not been charged to the asset shares used in the determination of policyholder bonus rates. Hence policyholders' pay-out values have been unaffected by pension mis-selling.

In 1998, Prudential stated that deducting mis-selling costs from the inherited estate would not impact its bonus or investment policy and it gave an assurance that if this unlikely event were to occur, it would make available support to the fund from shareholder resources for as long as the situation continued, so as to ensure that policyholders were not disadvantaged. The assurance was designed to protect both existing policyholders at the date it was announced, and policyholders who subsequently purchased policies while the pension mis-selling review was continuing.

This review was completed on 30 June, 2002. The assurance will continue to apply to any policy in force at 31 December, 2003, both for premiums paid before 1 January, 2004, and for subsequent regular premiums (including future fixed, RPI or salary related increases and Department of Work and Pensions rebate

business). The assurance has not applied to new business since 1 January, 2004. New business in this context consists of new policies, new members to existing pension schemes plus regular and single premium top-ups, transfers and switches to existing arrangements. The maximum amount of capital support available under the terms of the assurance will reduce over time.

The bonus and investment policy for each type of with-profits policy is the same irrespective of whether or not the assurance applies and this is expected to continue for the foreseeable future. Hence removal of the assurance for new business has had no impact on policyholder returns.

### **Mortgage endowment products review**

In common with several other UK insurance companies, the Prudential Group used to sell low-cost endowment products related to repayment of residential mortgages. At sale, the initial sum assured is set at a level such that the projected benefits, including an estimate of the annual bonus receivable over the life of the policy, will equal or exceed the mortgage debt. Because of a decrease in expected future investment returns since these products were sold, the FSA is concerned that the maturity value of some of these products will be less than the mortgage debt. The FSA has worked with insurance companies to devise a programme whereby the companies write to customers indicating whether they may have a possible shortfall and outline the actions that the customers can take to prevent this possibility.

The Prudential Group is exposed to mortgage endowment products in respect of policies issued by Scottish Amicable Life plc ("SAL") and the Scottish Amicable Life Assurance Society ("SALAS") which were transferred into the Scottish Amicable Insurance Fund ("SAIF"). At 30 June, 2012, provisions of £1.7 million in respect of the SAL policies and £15 million in SAIF were held within policyholder liabilities to cover potential compensation in respect of mortgage endowment product mis-selling claims. As SAIF is a separate sub-fund of the Prudential Assurance long-term business fund, wholly attributable to the policyholders of the fund, this provision has no impact on shareholders.

In addition, in the half year ended 30 June, 2012 Prudential Assurance's main with-profits fund paid compensation of £0.7 million in respect of mortgage endowment products mis-selling claims and held a provision of £25.6 million in respect of further compensation. The movement in this provision has no impact on the Prudential Group's profit before tax.

In May 2006, the Prudential Group introduced a deadline for both Prudential and Scottish Amicable mortgage endowment complaints. Impacted customers had three years to lodge a mis-selling complaint in line with the time limit prescribed by the FSA and the ABI.

### **Guaranteed annuities**

Prudential Assurance used to sell guaranteed annuity products in the UK and at 30 June, 2012 held a provision of £90 million within the main with-profits fund within policyholder liabilities to honour guarantees on these products. The Prudential Group's main exposure to guaranteed annuities in the UK is through SAIF and at 30 June, 2012 a provision of £403 million was held in SAIF to honour the guarantees. As SAIF is a separate sub-fund of the Prudential Assurance long-term business fund, wholly attributable to the policyholders of the fund, the movement in this provision has no impact on shareholders.

### **Other matters**

#### *Inherited estate of the Prudential Assurance long-term fund*

The assets of the with-profits sub-fund ("WPSF") within the long-term insurance fund of Prudential Assurance comprise the amounts that it expects to pay out to meet its obligations to existing policyholders and an additional amount used as working capital. The amount payable over time to policyholders from the

WPSF is equal to the policyholders' accumulated asset shares plus any additional payments that may be required by way of smoothing or to meet guarantees. The balance of the assets of the WPSF is called the 'inherited estate' and has accumulated over many years from various sources.

The inherited estate, as working capital, enables Prudential Assurance to support with-profits business by providing the benefits associated with smoothing and guarantees, by providing investment flexibility for the fund's assets, by meeting the regulatory capital requirements that demonstrate solvency and by absorbing the costs of certain significant events or fundamental changes in its long-term business without affecting the bonus and investment policies. The size of the inherited estate fluctuates from year to year depending on the investment return and the extent to which it has been required to meet smoothing costs, guarantees and other events.

#### *Support for long-term business funds by shareholders' funds*

As a proprietary insurance company, Prudential Assurance is liable to meet its obligations to policyholders even if the assets of the long-term funds are insufficient to do so. The assets, represented by the unallocated surplus of with-profits funds, in excess of amounts expected to be paid for future terminal bonuses and related shareholder transfers ('the excess assets') in the long-term funds could be materially depleted over time by, for example, a significant or sustained equity market downturn, costs of significant fundamental strategic change or a material increase in the pension mis-selling provision. In the unlikely circumstance that the depletion of the excess assets within the long-term fund was such that the Prudential Group's ability to satisfy policyholders' reasonable expectations was adversely affected, it might become necessary to restrict the annual distribution to shareholders or to contribute shareholders' funds to the long-term funds to provide financial support.

In 1997, the business of SALAS, a mutual society, was transferred to Prudential Assurance. In effecting the transfer, a separate sub-fund, SAIF, was established within Prudential Assurance's long-term business fund. This sub-fund contains all the with-profits business and all other pension business that was transferred. No new business has been or will be written in the sub-fund and the sub-fund is managed to ensure that all the invested assets are distributed to SAIF policyholders over the lifetime of SAIF policies. With the exception of certain amounts in respect of the unitised with-profits life business, all future earnings arising in SAIF are retained for SAIF policyholders. Any excess (deficiency) of revenue over expense within SAIF during a period is attributable to the policyholders of the fund. Shareholders have no interest in the profits of SAIF but are entitled to the asset management fees paid on this business. With the exception of certain guaranteed annuity products mentioned in the section entitled 'Guaranteed annuities' above, and certain products which include a minimum guaranteed rate of accumulation, the majority of SAIF with-profits policies do not guarantee minimum rates of return to policyholders.

Should the assets of SAIF be inadequate to meet the guaranteed benefit obligations to the policyholders of SAIF, the Prudential Assurance long-term fund would be liable to cover any such deficiency. Due to the quality and diversity of the assets in SAIF and the ability of SAIF to revise guaranteed benefits in the event of an asset shortfall, Prudential believes that the probability of either the Prudential Assurance long-term fund or the Prudential Group's shareholders' funds having to contribute to SAIF is remote.

#### *Unclaimed property provision*

Jackson has received industry-wide regulatory enquiries with respect to claims settlement practices and compliance with unclaimed property laws. To date, only one state (New York) has requested a formal search for potential unreported claims. Any regulatory audits, related examination activity and internal reviews may result in additional payments to beneficiaries, escheatment of funds (i.e. reversion of funds to the state) deemed abandoned under state laws, administrative penalties and changes in Jackson's procedures for the identification of unreported claims and handling of escheatable property. Based on its current analysis, at 30 June, 2012, Jackson accrued £16 million for these unreported claims. Additionally, regulators and state

legislators are beginning to require life insurance companies to take additional steps to identify unreported deceased policy and contract holders. Currently, there does not appear to be a consensus among state insurance regulators and state unclaimed property administrators regarding a life insurer's obligations in connection with identifying unreported deaths of its policy and contract holders.

#### *Guarantees and commitments*

Guarantee funds in both the UK and the US provide for payments to be made to policyholders on behalf of insolvent life insurance companies. These guarantee funds are financed by payments assessed on solvent insurance companies based on location, volume and types of business. The Prudential Group estimated its reserve for future guarantee fund assessments for Jackson (which are included within other liabilities) to be £16 million at 30 June, 2012. Similar assessments for the UK businesses were not significant. Prudential believes that the reserve is adequate for all anticipated payments for known insolvencies.

At 30 June, 2012, Jackson has unfunded commitments of £383 million related to its investments in limited partnerships and of £77 million related to commercial mortgage loans. These commitments were entered into in the normal course of business and the directors do not expect a material adverse impact on the operations to arise from them.

Jackson owns debt instruments issued by securitisation trusts managed by PPM America. At 30 June, 2012, the support provided by certain forbearance agreements Jackson entered into with the counterparty to certain of these trusts could potentially expose Jackson to maximum losses of £54 million, if circumstances allowed the forbearance period to cease. Jackson believes that, so long as the forbearance period continues, the risk of loss under the agreements is remote.

The Prudential Group has provided other guarantees and commitments to third parties entered into in the normal course of business but Prudential does not consider that the amounts involved are significant.

#### **Directors of Prudential**

The Prudential Board of Directors currently consists of 15 directors. Kaikhushru Nargolwala and Alexander Johnston were appointed as independent non-executive directors with effect from 1 January, 2012. Since January 2012, the following Board changes have taken place: Paul Manduca succeeded Harvey McGrath as Chairman and Chairman of the Nomination Committee on 2 July, 2012; and Kathleen O'Donovan retired as a non-executive director on 31 March, 2012.

Set forth below are the current directors of Prudential, each of whose business address is Laurence Pountney Hill, London EC4R 0HH, their names, positions, business experience and principal business activities performed outside of Prudential, as well as the dates of their initial appointment as directors.

#### **Paul Manduca**

##### **Chairman and Chairman of the Nomination Committee**

Paul Manduca has been an independent non-executive director of Prudential since October 2010 and succeeded Harvey McGrath as Chairman and Chairman of the Nomination Committee on 2 July, 2012. Prior to his appointment as Chairman, Paul was the Senior Independent Director and a member of the Nomination Committee (January 2011 – June 2012), and a member of the Audit and Remuneration Committees (October 2010 – June 2012).

Paul was a non-executive director of Wm Morrison Supermarkets Plc ("Morrisons") from September 2005 until March 2011. During that time, he was the Senior Independent Director, a member of the Nomination Committee and Chairman of the Remuneration Committee of Morrisons, and prior to that he chaired the Audit Committee of

Morrison. He is currently Chairman of Henderson Diversified Income Limited and Chairman of JPM European Smaller Companies Investment Trust Plc. Paul was Chairman of Aon UK Limited until September 2012, he was also a non-executive director and Chairman of the Audit Committee of KazmunaiGas Exploration & Production Plc until the end of September 2012. Paul was the Senior Independent Director and Chairman of the Audit Committee of Development Securities plc until March 2010, Chairman of Bridgewell Group plc until 2007 and a director of Henderson Smaller Companies Investment Trust plc until 2006. Prior to that, he was European CEO of Deutsche Asset Management from 2002 to 2005, global CEO of Rothschild Asset Management from 1999 to 2002 and founding CEO of Threadneedle Asset Management Limited from 1994 to 1999 when he was also a director of Eagle Star and Allied Dunbar. Paul is a member of the Securities Institute, a former Chairman of the Association of Investment Companies (1991-1993) and member of the Takeover Panel.

## **Tidjane Thiam**

### **Group Chief Executive**

Tidjane Thiam has been an executive director of Prudential since 25 March, 2008. He was the Chief Financial Officer until 30 September, 2009 and became Group Chief Executive with effect from 1 October, 2009.

Tidjane spent the first part of his professional career with McKinsey & Company in Paris and New York, serving insurance companies and banks. He then spent a number of years in Africa where he was Chief Executive and later Chairman of the National Bureau for Technical Studies and Development in Côte d'Ivoire and a cabinet member as Secretary of Planning and Development. Tidjane returned to France to become a partner with McKinsey & Company and one of the leaders of their Financial Institutions practice before joining Aviva in 2002. He worked at Aviva until 2008, holding successively the positions of Group Strategy and Development Director, Managing Director of Aviva International, Group Executive Director and Chief Executive Officer, Europe.

Tidjane was a non-executive director of Arkema in France until November 2009. He is a member of the Board of the Association of British Insurers ("ABI") and on 3 July, 2012 he was appointed as Chairman. He is a member of the Council of the Overseas Development Institute (ODI) in London, a member of the Africa Progress Panel chaired by Kofi Annan and a sponsor of Opportunity International. In January 2011, he was appointed to chair the G20 High Level Panel for Infrastructure Investment, which reported to the G20 Leaders at the G20 Summit in Cannes in November 2011. Tidjane is a member of the UK-ASEAN Business Council and of the Strategic Advisory Group on UK Trade and Investment. In January 2012, Tidjane was appointed to the Prime Minister's Business Advisory Group. Tidjane was awarded the Légion d'Honneur by the French President in July 2011.

## **Nicolaos Nicandrou ACA**

### **Chief Financial Officer**

Nic Nicandrou has been an executive director of Prudential and Chief Financial Officer since October 2009. Before joining Prudential, he worked at Aviva, where he held a number of senior finance roles, including Norwich Union Life Finance Director and Board Member, Aviva Group Financial Control Director, Aviva Group Financial Management and Reporting Director and CGNU Group Financial Reporting Director. Nic started his career at PricewaterhouseCoopers where he worked in both London and Paris.

## **John Foley**

### **Group Chief Risk Officer**

John Foley has been an executive director of Prudential and Group Chief Risk Officer since January 2011.

He joined Prudential as Deputy Group Treasurer in 2000 before being appointed Managing Director, Prudential Capital (formerly Prudential Finance (UK)) and Group Treasurer in 2001. He was appointed Chief Executive of Prudential Capital and to the Group Executive Committee in 2007. Prior to joining Prudential, John spent three years with National Australia Bank as General Manager, Global Capital Markets. John began his career at Hill Samuel & Co Limited where, over a 20 year period, he worked in every division of the bank, culminating in senior roles in risk, capital markets and treasury of the combined TSB and Hill Samuel Bank.

### **Robert Devey**

#### **Executive Director**

Rob Devey has been an executive director of Prudential and Chief Executive, Prudential UK and Europe since November 2009. Rob joined Prudential from Lloyds Banking Group where he worked from 2002 in a number of senior leadership roles across insurance and retail banking. Prior to joining Lloyds Banking Group, Rob was a consultant with the Boston Consulting Group (BCG) in the UK, US and Europe.

Rob chairs the London Leadership Team of Business in the Community and is also a trustee of the Lloyds TSB Foundation for England and Wales.

### **Michael McLintock**

#### **Executive Director**

Michael McLintock has been an executive director of Prudential since September 2000. He is also Chief Executive of M&G, a position he held at the time of M&G's acquisition by Prudential in 1999. Michael joined M&G in 1992. He previously also served on the board of Close Brothers Group plc as a non-executive director from 2001 to 2008. Since October 2008, he has been a Trustee of the Grosvenor Estate and was appointed as a non-executive director of Grosvenor Group Limited in March 2012. He has also been a member of the Finance Committee of the MCC since October 2005.

### **Barry Stowe**

#### **Executive Director**

Barry Stowe has been an executive director of Prudential since November 2006, and Chief Executive, Prudential Corporation Asia since October 2006. He has been a member of the Board of Visitors of Lipscomb University since May 2009 and was a director of the Life Insurance Marketing Research Association (LIMRA) and the Life Office Management Association ("LOMA") from October 2008 to October 2011. Previously, Barry was President, Accident & Health Worldwide for AIG Life Companies. He joined AIG in 1995, and prior to that was President and CEO of Nisus, a subsidiary of Pan-American Life, from 1992 to 1995. Before joining Nisus, Barry spent 12 years at Willis Corroon in the US.

### **Michael Wells**

#### **Executive Director**

Mike Wells has been an executive director since January 2011 when he succeeded Clark Manning as President and CEO of Jackson National Life Insurance Company ("Jackson"). Mike has served in a variety of senior and strategic positions at Jackson over the last 15 years, including President of Jackson National Life Distributors. Mike has been Vice Chairman and Chief Operating Officer of Jackson for the last nine years. During this period he has led the development of Jackson's variable annuity business and been responsible for IT, strategy, operations, communications, distributions, Curian and the retail broker dealers.

## **Keki Dadiseth FCA**

### **Independent non-executive director and member of the Remuneration Committee**

Keki Dadiseth has been an independent non-executive director of Prudential since April 2005. He is a member of the Remuneration Committee and was a member of the Audit Committee from 2005 to 2007. Keki was appointed as a member of the Prudential Corporation Asia Audit Committee in July 2012. During 2006, he was appointed as a non-executive director of ICICI Prudential Life Assurance Company Limited and ICICI Prudential Trust Limited. Keki is also a director of Britannia Industries Limited, Piramal Enterprises Limited, Siemens Limited, The Indian Hotels Company Limited and Godrej Properties Limited, all of which are quoted on the Bombay Stock Exchange. In addition, he acts as adviser to Goldman Sachs, Fleishman-Hillard Inc and Chairman of Marsh & McLennan Companies Group, India. He is Chairman of the Breach Candy Hospital Trust and a trustee for a number of Indian charities. Keki is the non-executive Chairman of Omnicom India Marketing Advisory Services Private Limited, an unquoted Indian company, and is also a board member of various other unquoted Indian companies. He serves as Chairman of Sony India Pvt Ltd and Senior Advisor to Sony Group in India.

Before he retired from Unilever in 2005, Keki was Director, Home and Personal Care, responsible for the HPC business of Unilever worldwide, a Board member of Unilever PLC and Unilever N.V., and a member of Unilever's Executive Committee. He joined Hindustan Lever Ltd in India in 1973 and in 1987, he joined the Board of Hindustan Lever and became Chairman in 1996.

## **Sir Howard Davies**

### **Independent non-executive director, Chairman of the Risk Committee and member of the Audit and Nomination Committees**

Sir Howard has been an independent non-executive director of Prudential and Chairman of the Risk Committee since October 2010. He joined the Audit Committee in November 2010, and became a member of the Nomination Committee in July 2012.

Sir Howard was the Director of the London School of Economics and Political Science ("LSE") from September 2003 to April 2011. Prior to joining the LSE, he was Chairman of the Financial Services Authority, the UK's financial regulator. He is a Professor at the Institut d'Études Politiques (Sciences Po), a director of Morgan Stanley Inc., an external adviser to the Government Investment Corporation of Singapore and a member of the International Advisory Board of the China Banking Regulatory Commission. He is also Chairman of the Phoenix Group.

## **Michael Garrett**

### **Independent non-executive director and member of the Remuneration Committee**

Michael Garrett has been an independent non-executive director of Prudential and a member of the Remuneration Committee since September 2004. He worked for Nestlé from 1961, becoming Head of Japan from 1990 to 1993, and then Zone Director and Member of the Executive Board, responsible for Asia and Oceania. In 1996 his responsibilities were expanded to include Africa and the Middle East. Michael retired as Executive Vice President of Nestlé in 2005. He served the Government of Australia as Chairman of the Food Industry Council and as a Member of the Industry Council of Australia, and was also a member of the Advisory Committee for an APEC (Asia-Pacific Economic Cooperation) Food System, a Member of The Turkish Prime Minister's Advisory Group and the WTO (World Trade Organization) Business Advisory Council in Switzerland.

Michael remains a director of Nestlé in India, and was appointed Chairman of the Evian Group, a think tank and forum for dialogue promoting free trade, from 2001 to 2011. He also serves as a non-executive director on the Boards of the Bobst Group in Switzerland, Hasbro Inc. in the USA, and Gottex Fund Management Holdings Limited in Guernsey. In addition, he is a Member of the Swaziland International Business Advisory Panel under the auspices of the Global Leadership Foundation (GLF) London, as well as being a member of the Development Committee of the International Business Leaders Forum (IBLF) until stepping down in 2011.

#### **Ann Godbehere FCGA**

##### **Independent non-executive director, Chairman of the Audit Committee and member of the Nomination and Risk Committees**

Ann Godbehere has been an independent non-executive director of Prudential since August 2007. She has been a member of the Audit Committee since October 2007, becoming its Chairman in October 2009. She joined the Risk Committee in November 2010, and became a member of the Nomination Committee in July 2012.

Ann began her career in 1976 with Sun Life of Canada, joining Mercantile & General Reinsurance Group in 1981, where she held a number of management roles rising to Senior Vice President and Controller for life and health and property/casualty businesses in North America in 1995. In 1996 Swiss Re acquired Mercantile & General Reinsurance Group and Ann became Chief Financial Officer of Swiss Re Life & Health, North America. In 1997 she was made Chief Executive Officer of Swiss Re Life & Health, Canada. She moved to London as Chief Financial Officer of Swiss Re Life & Health Division in 1998 and joined the Property & Casualty Business Group, based out of Zurich, as Chief Financial Officer on its establishment in 2001. From 2003 until February 2007, Ann was Chief Financial Officer of the Swiss Re Group.

Ann is also a non-executive director of Rio Tinto plc, Rio Tinto Limited, UBS AG, Ariel Holdings Limited, Atrium Underwriting Group Limited and Atrium Underwriters Limited. From its nationalisation in 2008 until January 2009 Ann was Interim Chief Financial Officer and Executive Director of Northern Rock. Ann joined the Board of British American Tobacco p.l.c. in October 2011 as a non-executive director.

#### **Alexander (Alistair) Johnston CMG FCA**

##### **Independent non-executive director and member of the Audit Committee**

Alistair Johnston has been an independent non-executive director of Prudential and a member of the Audit Committee since January 2012.

Alistair was a partner of KPMG from 1986 to 2010. He joined KPMG (then Peat Marwick Mitchell) in 1973 and held a number of senior leadership positions. These included Vice Chairman of UK Financial Services and Head of UK Insurance Practice, International Managing Partner – Global Markets, and UK Vice Chairman. Latterly he served as a Global Vice Chairman of KPMG from 2007 to 2010.

Alistair acted as a non-executive director of the Foreign & Commonwealth Office from 2005 to 2010 and chaired the audit committee until 2009. He was an Association Member of BUPA until January 2012. Alistair is a member of the Strategy and Development Board and a Visiting Professor at Cass Business School. In February 2012 Alistair was appointed as a Trustee of the Design Museum in London.



## **Kaikhushru Nargolwala FCA**

### **Independent non-executive director and member of the Risk and Remuneration Committees**

Kai Nargolwala has been an independent non-executive director of Prudential and a member of the Risk and Remuneration Committees since January 2012. Until December 2011 he was the non-executive Chairman of Credit Suisse Asia Pacific, having joined Credit Suisse in 2008 as a member of the Executive Board and CEO of the Asia Pacific region.

From 1998 to 2007, Kai worked for Standard Chartered PLC where he was a Group Executive Director responsible for Asia Governance and Risk. His responsibilities included developing strategy and business performance across Asia, as well as strategic merger and acquisition activity. Prior to that, he spent 19 years at Bank of America and from 1990 was based in Asia as Group Executive Vice President and Head of the Asia Wholesale Banking Group. From 2004 to 2007, he was a non-executive director at Tate & Lyle plc and at Visa International, where he served on the Asia Pacific Board.

Kai is currently a non-executive director and lead independent director of Singapore Telecommunications Limited, a member of the Board of the Casino Regulatory Authority of Singapore and a member of the Governing Board of the Duke-NUS Graduate Medical School.

## **Lord Turnbull KCB CVO**

### **Independent non-executive director, Chairman of the Remuneration Committee and member of the Risk and Nomination Committees**

Lord Turnbull has been an independent non-executive director of Prudential since May 2006. He joined the Risk Committee and the Remuneration Committee in November 2010, and became Chairman of the Remuneration Committee and a member of the Nomination Committee in June 2011. From January 2007 to November 2010 he was a member of the Audit Committee. He entered the House of Lords as a Life Peer in 2005. In 2002 he became Secretary of the Cabinet and Head of the Home Civil Service until he retired in 2005. Prior to that he held a number of positions in the Civil Service, including Permanent Secretary at HM Treasury; Permanent Secretary at the Department of the Environment (later Environment, Transport and the Regions); Private Secretary (Economics) to the Prime Minister; and Principal Private Secretary to Margaret Thatcher and then John Major. He joined HM Treasury in 1970.

Lord Turnbull is Chairman of BH Global Limited and a non-executive director of Frontier Economics Limited and The British Land Company PLC, and was formerly a non-executive director of the Arup Group from 2006 to 2007. He also worked part-time as a Senior Adviser to the London partners of Booz and Co (UK) until February 2011.

## **Other Executive Officers**

The heads of Prudential's current business units are also directors of Prudential as set forth above.

## ***Conflicts of interest***

Investors should be aware of the information regarding related party transactions disclosed in note 17 to the annual report and audited consolidated annual financial statements of Prudential for the financial year ended 31 December, 2011. The directors of Prudential may, from time to time, hold directorships or other significant interests with companies outside of the Prudential Group which may have business relationships with the Prudential Group. Under the Companies Act 2006 and in accordance with the Company's Articles of Association, the Board has powers to authorise any actual and potential conflict situations. The Board has introduced additional procedures to identify and manage any conflicts or potential conflicts of interest and, in

relation to situations that may give rise to actual or potential conflicts of interest, to ensure where possible that no actual or potential conflicts of interest will arise. These procedures provide for the Board to formally review and, where appropriate, authorise conflict situations and potential conflict situations raised by directors. In considering and authorising conflicts or potential conflicts, the Board is empowered to impose conditions to any authorisations it grants.

Keki Dadiseth and Barry Stowe serve as non-executive directors of ICICI Prudential Life Insurance Company Limited, an Indian Company which is 26 per cent owned by the Prudential Group. In addition, Mr Stowe is a director of ICICI Prudential Asset Management Company Limited, a joint venture which is 49 per cent owned by the Prudential Group and CITIC Prudential Life Insurance Company Limited, a joint venture which is 50 per cent owned by the Prudential Group. Mr Dadiseth serves at Prudential's request as a non-executive director of ICICI Prudential Trust Limited, an Indian company which is owned 49 per cent by Prudential. The Board does not consider that these appointments in any way affect Mr Dadiseth's status as an independent director of Prudential.

None of the directors of Prudential have any actual or potential conflicts of interests between their duties to Prudential as directors of Prudential and their private interest and/or other duties.

### **Audit Committee**

The Group Audit Committee, which forms a key element of the Prudential Group's governance framework, is comprised exclusively of independent non-executive directors. Ann Godbehere is the Chairman of the Group Audit Committee, and Alistair Johnston and Sir Howard Davies are members.

#### *Role of the Committee*

The Audit Committee's principal oversight responsibilities cover:

- internal control;
- internal audit;
- external audit (including auditor independence); and
- financial reporting.

The Committee has formal terms of reference set by the Board, which are reviewed regularly.

The Committee received presentations from senior management throughout the year, including reports from the external auditor, Group-wide Internal Audit, Group Compliance, Group Tax and Group Security.

Prudential has established a board committee, which has responsibility for the oversight of risk management across the Group, called the Group Risk Committee. As a result, the Group Audit Committee is no longer responsible for oversight over risk management, except where this relates to controls over financial reporting.

### **Corporate Governance**

Prudential is committed to high standards of corporate governance in its business. Prudential confirms that at the date of this Prospectus it is in compliance with the provisions of the UK Corporate Code as issued by the Financial Reporting Council in 2010 barring the appointment of a senior independent director to replace Paul Manduca following his appointment as Chairman of the Board in July. The search for a new senior

independent director, under the direction of the Nomination Committee, has been successfully concluded with the appointment of Philip Remnant, whose appointment will be effective from 1 January, 2013.

## TAXATION

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The comments below are of a general nature and are based on the Issuer's understanding of current law and practice as at the date of this Prospectus regarding the withholding tax treatment of interest on the Notes and dividends on the Preference Shares. They only apply to persons who are the beneficial owners of the Notes or Preference Shares. They may not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. They are not exhaustive. They relate only to the deduction from interest on the Notes or dividends on the Preference Shares for or on account of tax in the United Kingdom (and do not address any other United Kingdom taxation implications of acquiring, holding, or disposing of the Notes or Preference Shares). Prospective holders of Notes or Preference Shares who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

The references to "interest" in the comments below mean "interest" as understood in United Kingdom tax law. The comments below do not take any account of any different definitions of "interest" which may be created by the Terms and Conditions of the Notes or any relevant documentation.

### UK Taxation

1. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are, and continue to be, listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

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

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the Notes have a maturity date less than one year from the date of issue, provided that the Notes are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a term of a year or more.

2. In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder, HMRC can, following an application by that Holder, issue a notice to the Issuer to pay interest to the Holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).
3. Holders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the

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

4. Where Notes are issued on terms that a premium is or may be payable on redemption, as opposed to being issued at a discount, then it is possible that any such element of premium may constitute a payment of interest. If that element does constitute a payment of interest, the comments in paragraphs above and below will be relevant.

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 will not be made subject to any withholding or deduction on account of United Kingdom income tax as long as they do not constitute payments in respect of interest, but may be subject to the reporting requirements outlined at paragraph 3 above.

5. Payments of dividends on the Preference Shares may be made without deduction of, or withholding on account of, United Kingdom income tax.

#### **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC ("Directive 2003/48/EC") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to Directive 2003/48/EC, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

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Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, The Royal Bank of Scotland plc and UBS 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 an amended and restated dealership agreement dated 19 December, 2012 (as amended and/or restated and/or supplemented from time to time, the “Dealership Agreement”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and 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 Dealership 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 of America

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in the preceding sentence 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 U.S. 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. Each Dealer has agreed that it will not offer, sell or deliver a Note in bearer form within the United States or to U.S. persons, except as permitted under the Dealership Agreement.

Each Dealer has agreed, and each further Dealer appointed under the Dealership Agreement will be required to agree, that except as permitted by the Dealership Agreement, it has not offered, sold or delivered Notes and it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution (as determined by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue)) of all Notes of the relevant Tranche except in accordance with Rule 903 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or 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.

Except as otherwise provided, terms used in the remainder of this section of “*Subscription and Sale*” have the meanings given to them by Regulation S.

The Notes are being offered and sold only (A) outside the United States to persons other than U.S. persons in reliance upon Regulation S and (B) to QIBs in compliance with Rule 144A.

In addition, until 40 days after the completion of the distribution (as determined by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue)) 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.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) Either (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States and is not a U.S. person.
- (2) It acknowledges that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the Securities Act.
- (4) If it holds an interest in a Definitive Registered Note or a Rule 144A Global Note, it will not offer, sell, resell, pledge or otherwise transfer or deliver the Notes except (A) to the Issuer or any affiliate thereof, (B) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, (C) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (D) pursuant to any other available exemption from the registration requirements of the Securities Act or (E) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws, and any applicable local laws and regulations.
- (5) If it holds an interest in a Regulation S Global Note and is outside the United States and is not a U.S. person, if it should offer, sell, resell, pledge or otherwise transfer or deliver the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the completion of the distribution (for the purposes of Regulation S) of all of the Notes of the Tranche of which the Notes form a part), it will do so only (A) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act or (B) outside the United States in compliance with Rule 903 or 904 under the Securities Act, in each case in accordance with all applicable U.S. state securities laws, and any applicable local laws and regulations.
- (6) It will give to each person to whom it transfers the Notes notice of any restrictions on transfer applicable to the Notes.
- (7) It acknowledges that prior to any proposed transfer of Definitive Registered Notes or of beneficial interests in a Registered Global Note (in each case other than pursuant to an effective registration statement), the holder of the Notes or of interests therein may be required to provide certifications and other documentation relating to the manner of such transfer to the Issuer and the Registrar.
- (8) It acknowledges that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (9) It understands that any Notes that are offered, sold or transferred in the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S) will either be issued in the form of

Definitive Registered Notes, registered in the name of the registered holder thereof, or be represented by a Rule 144A Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Following any exchange of the Notes into Preference Shares in the manner contemplated in this Prospectus, each purchaser (or holder) of such Preference Shares will be deemed to have represented and agreed to representations and agreements identical to those set forth above (excluding paragraphs (5) and (9)) in respect of such Preference Shares.

Each Definitive Registered Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE TRANSFERRED ONLY PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED NOTE IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED EXCEPT IN COMPLIANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE U.S. STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER’S AND THE REGISTRAR’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE, RESALE, PLEDGE, TRANSFER OR DELIVERY PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS DEFINITIVE REGISTERED NOTE AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.”



Each Rule 144A Global Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS GLOBAL NOTE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE TRANSFERRED ONLY PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS GLOBAL NOTE IS ISSUED (OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN) ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING THIS GLOBAL NOTE OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO SUCH NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT SUCH NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, (3) AGREES TO NOTIFY ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THAT IT WILL BE A CONDITION TO SUCH TRANSFER THAT THE TRANSFEREE WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET OUT HEREIN, AND (4) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED EXCEPT IN COMPLIANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE U.S. STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER’S AND THE REGISTRAR’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE, RESALE, PLEDGE, TRANSFER OR DELIVERY PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS GLOBAL NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.”

Each Regulation S Global Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS GLOBAL NOTE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”),

OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE HOLDER THEREOF ACKNOWLEDGES THAT THE NOTES REPRESENTED BY THIS GLOBAL NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE NOTES REPRESENTED BY THIS GLOBAL NOTE MAY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND IN COMPLIANCE WITH THE AGENCY AGREEMENT, AND ONLY (A) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE U.S. STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS; PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO CLAUSE (A), A TRANSFEROR OF THE NOTES WILL BE REQUIRED (1) TO EXECUTE AND DELIVER TO THE ISSUER AND THE REGISTRAR A CERTIFICATE OF TRANSFER (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR) AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL NOTE OR A DEFINITIVE REGISTERED NOTE (AS SET OUT IN THE APPLICABLE FINAL TERMS) TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

EACH HOLDER OF THIS NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as

applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that:

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

### **Germany**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be publicly offered by it in the Federal Republic of Germany other than in compliance with the provisions of the German Securities

Prospectus Act (*Wertpapierprospektgesetz*), as amended, and any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

## Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the “Financial Services Act”) and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the “Banking Act”);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## Belgium

The Notes will not be distributed in Belgium by way of an offer of securities to the public, as defined in article 3 paragraph 1 of the Belgian Law of 16 June, 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (the “Prospectus Law”).

Accordingly, the offering may not be advertised and each of the Dealers has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, 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 memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

- (a) qualified investors, within the meaning of the Prospectus Directive or within the meaning of the Prospectus Directive as amended by the 2010 PD Amending Directive;

- (b) investors required to invest a minimum of €100,000 (per investor and per transaction); and
- (c) in any other circumstances set out in article 3 §2 of the Prospectus Law.

This Prospectus has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the offering of the Notes. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

### **The Netherlands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the relevant Final Terms specify that this provision does not apply because the standard exemption wording required by Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “DFSA”) is not applicable, it will not make an offer of Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are Qualified Investors as defined in the Prospectus Directive or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the DFSA, provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

### **Switzerland**

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

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that:

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

Neither the contents of this Prospectus nor any Final Terms have been reviewed by any regulatory authority in Hong Kong. Prospective investors are advised to exercise caution in relation to any offer pursuant to this Prospectus and, if in doubt about the contents of this Prospectus or the applicable Final Terms, obtain independent professional advice.

## Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that:

- (a) it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("AMF"), on the date of its publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of

the prospectus, all in accordance with Articles L.412- 1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

- (b) it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

## **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 Dealership Agreement will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (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 reoffering 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.

## **General**

Other than the approval of this Prospectus as a base prospectus in accordance with Article 5.4 of the Prospectus Directive and, in relation to any issue of Notes, as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date thereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this paragraph headed “*General*”.

## FORMS OF FINAL TERMS

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

# PRUDENTIAL PLC

£5,000,000,000

## Medium Term Note Programme

Series No: [●]

Tranche No: [●]

[Brief Description and Amount of Notes]

Issued by

PRUDENTIAL PLC

Issue Price: [●]%

The date of the Final Terms is [●].



## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] (the “Prospectus”) [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus [and the supplement[s]] [has] [have] been 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>] and copies may be obtained during normal business hours, free of charge, from the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London.

1. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]] / [Not Applicable]
2. Specified Currency: [ ]
3. Aggregate Nominal Amount of Notes
  - Tranche: [ ]
  - Series: [ ]
4. Issue Price of Tranche: [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [ ]]
5. (i) Specified Denomination(s): [ ]
- (ii) Calculation Amount: [ ]
6. (i) Issue Date [and Interest Commencement Date]: [ ]
- [(ii) Interest Commencement Date (if different from the Issue Date): [[ ]/Issue Date/Not Applicable]
7. Maturity Date: [[ ]/[The Interest Payment Date falling in or nearest to [ ]]
8. Interest Basis: [[ ] per cent Fixed Rate]

		[[ ] month [LIBOR/EURIBOR/SIBOR/TIBOR/ HIBOR/Bank of England Base Rate] +/- [ ] per cent Floating Rate] Floating Rate: EONIA Linked Interest Floating Rate: SONIA Linked Interest Floating Rate: Federal Funds Rate Linked Interest Floating Rate: CMS Linked Interest [[ ] per cent Fixed Rate until [ ], then calculated in accordance with paragraph 14 below] [Zero Coupon]
9.	Redemption/Payment Basis:	Redemption at par
10.	Change of Interest Basis or Redemption/Payment Basis:	[[ ]/Not Applicable]
11.	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable]
12.	(i) Status of the Notes:	[Senior Notes/Dated Tier 2 Notes/Undated Tier 2 Notes/Tier 1 Notes]
	(ii) Date of [Board/Committee] approval for issuance of Notes obtained:	[ ] [and [ ] respectively]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13.	Fixed Rate Note Provisions	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[ ] per cent per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[ ] [and [ ]] in each year [up to and including the Maturity Date]
	(iii) Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(iv) Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]
	(v) Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(vi) Determination Date(s):	[[ ] in each year/Not Applicable]
	(vii) Deferral of Interest:	[Option A Notes/Option B Notes]
	(viii) ACSM:	[Applicable/Not Applicable]
	(ix) Dividend and Capital Restriction:	[Applicable/Not Applicable]
14.	Reset Note Provisions:	[Applicable/Not Applicable]

- (i) Initial Rate of Interest: [ ] per cent per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] [and [ ]] in each year [up to and including the Maturity Date]
- (iii) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (iv) Determination Date(s): [[ ] in each year/Not Applicable]
- (v) Reset Date(s): [ ]
- (vi) Subsequent Reset Reference Rate(s) and Relevant Financial Centre: Subsequent Reset Reference Rate: [Mid Swaps/Reference Bond]  
Relevant Financial Centre: [ ]
- (vii) Reset Margin: [ ]
- (viii) Subsequent Reset Rate Screen Page: [ ]
- (ix) Mid Swap Maturity: [ ]
- (x) Reset Determination Date: [ ]
- (xi) Subsequent Reset Rate Time: [ ]
- (xii) Deferral of Interest: [Option A Notes/Option B Notes]
- (xiii) ACSM: [Applicable/Not Applicable]
- (xiv) Dividend and Capital Restriction: [Applicable/Not Applicable]
- 15. Floating Rate Note Provisions: [Applicable/Not Applicable]
  - (i) Specified Period(s)/ Specified Interest Payment Dates: [ ]
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
  - (iii) Additional Business Centre(s): [[ ]/Not Applicable]
  - (iv) Manner in which the Rates of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/ISDA Determination]
  - (v) Party responsible for calculating the Rates of Interest and Interest Amounts (if not the Issue and Paying Agent): [ ]

(vi)	Screen Rate Determination:	
	— Reference Rate, Relevant Time and Relevant Financial Centre:	Reference Rate: [[            ] month [LIBOR/EURIBOR/SIBOR/TIBOR/HIBOR]]/[Bank of England Base Rate]/[EONIA]/[SONIA]/[Federal Funds Rate]/[CMS Reference Rate]
		Relevant Time: [        ]/[Not Applicable]
		Relevant Financial Centre: [        ]/[Not Applicable]
		Reference Currency: [        ]/[Not Applicable]
		Designated Maturity: [        ]/[Not Applicable]
	— Interest Determination Date(s):	[        ]
	— Relevant Screen Page:	[        ]
(vii)	ISDA Determination:	[        ]
	— Floating Rate Option:	[        ]
	— Designated Maturity:	[        ]
	— Reset Date:	[        ]
(viii)	Margin(s):	[+/-] [        ] per cent per annum
(ix)	Minimum Rate of Interest:	[        ] per cent per annum
(x)	Maximum Rate of Interest:	[        ] per cent per annum
(xi)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
(xii)	Deferral of Interest:	[Option A Notes/Option B Notes]
(xiii)	ACSM:	[Applicable/Not Applicable]
(xiv)	Dividend and Capital Restriction:	[Applicable/Not Applicable]
16.	Zero Coupon Notes Provisions	[Applicable/Not Applicable]
	(i) Accrual Yield:	[        ] per cent per annum
	(ii) Reference Price:	[        ]

	(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]		
17.		Step-Up Rate of Interest	[Applicable/Not Applicable]		
	(i)	Rate of Interest/Margin:	[ ]		
	(ii)	Method of determination of Rate of Interest:	[ ]		
	(iii)	Reset Date:	[ ]		
<b>PROVISIONS RELATING TO REDEMPTION</b>					
18.	(a)	Issuer Call:	[Applicable/Not Applicable]		
	(i)	Optional Redemption Date(s):	[ ]		
	(ii)	Optional Redemption Amount(s):	[[ ] per Calculation Amount/Make Whole Redemption Price]		
	(iii)	If redeemable in part:	[ ]		
	(a)	Minimum Redemption Amount:	[ ]		
	(b)	Higher Redemption Amount:	[ ]		
	(b)	Regulatory Event Redemption:	[Applicable/Not Applicable]		
	(c)	Regulatory Event Redemption and Regulatory Event Refinancing Option:	[Applicable/Not Applicable]		
	(d)	Solvency II Regulatory Event Redemption:	[Applicable/Not Applicable]		
	(e)	Issuer Call due to a Tax Event:	[Applicable/Not Applicable]		
	(f)	Issuer Call due to a Tax Call Event:	[Applicable/Not Applicable]		
	(g)	Issuer Exchange Option:	[Applicable/Not Applicable]		
19.		Investor Put:	[Applicable/Not Applicable]		
	(i)	Optional Redemption Date(s):	[ ]		
	(ii)	Optional Redemption Amount(s):	[ ] per Calculation Amount		

20. Final Redemption Amount: [ ] per Calculation Amount
21. Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default: [ ] per Calculation Amount
22. Make Whole Redemption Price: [[ ] per Calculation Amount/Spens Amount/Make Whole Redemption Amount/Not Applicable]
- (i) Redemption Margin: [[ ]/Not Applicable]
- (ii) Reference Bond: [[ ]/Not Applicable]
- (iii) Quotation Time: [[ ]/Not Applicable]

### GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (i) Form: **[Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 30 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes on [30 days' notice given at any time/only upon an Exchange Event]]
- [Registered Notes:**
- [Regulation S Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]
- [Rule 144A Global Note held by a custodian for DTC (specify nominal amounts) exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]]
- (ii) New Global Note: [Yes] [No]
24. Additional Financial Centre(s): [ ]/[Not Applicable]
25. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange

into definitive form, more than 27 coupon payments  
are still to be made/No]

Signed on behalf of the Issuer:

By:

*Duly Authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from [     ].] / [Not Applicable]

### 2. RATINGS

[The Notes to be issued [have been/are expected to be] assigned the following ratings:

[     ] by Standard & Poor's Credit Market Services Europe Limited  
[     ] by Moody's Investors Service Ltd  
[     ] by Fitch Ratings Limited]

[Not Applicable]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

(i) Reasons for the offer if different from making profit and/or hedging certain risks: [[     ] / Not Applicable]

(ii) Estimated net proceeds (broken down into each principal intended use and presented in order of priority of such uses) and if the net proceeds will not be sufficient to fund all proposed uses, amount and sources of other funds: [[     ] / Not Applicable]

(iii) Estimated total expenses (broken down into each principal intended use and presented in order of priority of such uses): [[     ] / Not Applicable]

### 5. YIELD

Indication of yield: [[     ] / Not Applicable]

### 6. HISTORIC INTEREST RATES

[Details of historic [LIBOR/EURIBOR/SIBOR/TIBOR/HIBOR/EONIA/SONIA/Federal Funds Rate/Bank of England Base Rate/CMS] rates can be obtained from [Reuters].] [Not Applicable]



**7. OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

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

Names and addresses of additional Paying Agent(s) (if any): [ ]

**8. DISTRIBUTION**

(i) Name(s) and address(es) of Manager(s)/Dealer(s) and underwriting commitments: [[ ]/Not Applicable]

(ii) Date of Subscription Agreement: [[ ]/Not Applicable]

(iii) Total commission and concession: [[ ]/Not Applicable]

(iv) Public Offer: [Not Applicable] [An offer of the Notes may be made by the Managers and the following financial intermediaries/placers: [ ] [and/or if the Issuer appoints additional financial intermediaries/placers after the date of these Final Terms and publishes details of them on its website, each financial intermediary/placer whose details are so published.] [An offer of the Notes may be made by the Managers and any financial intermediary which is authorised to make such offers under Directive 2004/39/EC (the Markets in Financial Instruments Directive) which states on its website that it is relying on the Prospectus to offer the relevant Tranche of Notes during the Offer Period (as defined below) (together with the Managers, the "Financial Intermediaries") other than pursuant to Article 3(2) of the Prospectus Directive in [ ] (the "Public Offer Jurisdictions") during the period from [[ ] until [[ ]/[the Issue Date]/[the date which falls [ ] Business Days thereafter] (the "Offer Period"). See further paragraph 9 below. [The above consent is subject to the following other conditions: [ ].]

**9. TERMS AND CONDITIONS OF THE [ISSUE/OFFER]**

Offer Price: [Issue Price/Not Applicable/[ ]]

Conditions to which the offer is subject: [[ ]/Not Applicable]

Description of the application process:	[[ ]/Not Applicable]
Details of the minimum and/or maximum amount of application:	[[ ]/Not Applicable]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[[ ]/Not Applicable]
Details of the method and time limits for paying up and delivering the Notes:	[[ ]/Not Applicable]
Manner in and date on which results of the offer are to be made public:	[[ ]/Not Applicable]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[[ ]/Not Applicable]
If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche:	[[ ]/Not Applicable]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[[ ]/Not Applicable]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[[ ]/Not Applicable]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	The Financial Intermediaries identified in or in the manner specified in paragraph 8 above.

10. **THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

11. **GENERAL**

Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
144A Eligible:	[144A Eligible/Not 144A Eligible]

**ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE**

*[Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Notes being issued.]*

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

## PRUDENTIAL PLC

£5,000,000,000

### Medium Term Note Programme

Series No: [●]

Tranche No: [●]

[Brief Description and Amount of Notes]

Issued by

PRUDENTIAL PLC

Issue Price: [●]%

The date of the Final Terms is [●].

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] (the “Prospectus”) [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus [and the supplement[s]] [has] [have] been 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>] and copies may be obtained during normal business hours, free of charge, from the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London.

1. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]] / [Not Applicable]
2. Specified Currency: [ ]
3. Aggregate Nominal Amount of Notes
  - Tranche: [ ]
  - Series: [ ]
4. Issue Price of Tranche: [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [ ]]
5. (i) Specified Denomination(s): [ ]
- (ii) Calculation Amount: [ ]
6. (i) Issue Date [and Interest Commencement Date]: [ ]
- [(ii) Interest Commencement Date (if different from the Issue Date): [[ ]/Issue Date/Not Applicable]
7. Maturity Date: [[ ]/[The Interest Payment Date falling in or nearest to [ ]]
8. Interest Basis: [[ ] per cent Fixed Rate]

[[ ] month [LIBOR/EURIBOR/SIBOR/TIBOR/  
HIBOR/Bank of England Base Rate] +/- [ ] per cent  
Floating Rate]  
Floating Rate: EONIA Linked Interest  
Floating Rate: SONIA Linked Interest  
Floating Rate: Federal Funds Rate Linked Interest  
Floating Rate: CMS Linked Interest  
[[ ] per cent Fixed Rate until [ ], then calculated  
in accordance with paragraph 14 below]  
[Zero Coupon]

9. Redemption/Payment Basis: Redemption at par
10. Change of Interest Basis or Redemption/Payment Basis: [[ ]/Not Applicable]
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]
12. (i) Status of the Notes: [Senior Notes/Dated Tier 2 Notes/Undated Tier 2 Notes/Tier 1 Notes]
- (ii) Date of [Board/Committee] approval for issuance of Notes obtained [ ] [and [ ] respectively]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ] per cent per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] [and [ ]] in each year [up to and including the Maturity Date]
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year/Not Applicable]
- (vii) Deferral of Interest: [Option A Notes/Option B Notes]
- (viii) ACSM: [Applicable/Not Applicable]
- (ix) Dividend and Capital Restriction: [Applicable/Not Applicable]
14. Reset Note Provisions: [Applicable/Not Applicable]

- (i) Initial Rate of Interest: [ ] per cent per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] [and [ ]] in each year [up to and including the Maturity Date]
- (iii) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (iv) Determination Date(s): [[ ] in each year/Not Applicable]
- (v) Reset Date(s): [ ]
- (vi) Subsequent Reset Reference Rate(s) and Relevant Financial Centre: Subsequent Reset Reference Rate: [Mid Swaps/Reference Bond]  
Relevant Financial Centre: [ ]
- (vii) Reset Margin: [ ]
- (viii) Subsequent Reset Rate Screen Page: [ ]
- (ix) Mid Swap Maturity: [ ]
- (x) Reset Determination Date: [ ]
- (xi) Subsequent Reset Rate Time: [ ]
- (xii) Deferral of Interest: [Option A Notes/Option B Notes]
- (xiii) ACSM: [Applicable/Not Applicable]
- (xiv) Dividend and Capital Restriction: [Applicable/Not Applicable]
- 15. Floating Rate Note Provisions: [Applicable/Not Applicable]
  - (i) Specified Period(s)/ Specified Interest Payment Dates: [ ]
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
  - (iii) Additional Business Centre(s): [[ ]/Not Applicable]
  - (iv) Manner in which the Rates of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/ISDA Determination]
  - (v) Party responsible for calculating the Rates of Interest and Interest Amounts (if not the Issue and Paying Agent): [ ]

- (vi) Screen Rate Determination:
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/SIBOR/TIBOR/HIBOR]/[Bank of England Base Rate]/[EONIA]/[SONIA]/[Federal Funds Rate]/[CMS Reference Rate]
  - Relevant Time: [ ]/[Not Applicable]
  - Relevant Financial Centre: [ ]/[Not Applicable]
  - Reference Currency: [ ]/[Not Applicable]
  - Designated Maturity: [ ]/[Not Applicable]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (vii) ISDA Determination: [ ]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (viii) Margin(s): [+/-] [ ] per cent per annum
- (ix) Minimum Rate of Interest: [ ] per cent per annum
- (x) Maximum Rate of Interest: [ ] per cent per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
- (xii) Deferral of Interest: [Option A Notes/Option B Notes]
- (xiii) ACSM: [Applicable/Not Applicable]
- (xiv) Dividend and Capital Restriction: [Applicable/Not Applicable]
16. Zero Coupon Notes Provisions: [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent per annum
  - (ii) Reference Price: [ ]



	(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]		
17.		Step-Up Rate of Interest	[Applicable/Not Applicable]		
	(i)	Rate of Interest/Margin:	[ ]		
	(ii)	Method of determination of Rate of Interest:	[ ]		
	(iii)	Reset Date:	[ ]		
<b>PROVISIONS RELATING TO REDEMPTION</b>					
18.	(a)	Issuer Call:	[Applicable/Not Applicable]		
	(i)	Optional Redemption Date(s):	[ ]		
	(ii)	Optional Redemption Amount(s):	[[ ] per Calculation Amount/Make Whole Redemption Price]		
	(iii)	If redeemable in part:	[ ]		
	(a)	Minimum Redemption Amount:	[ ]		
	(b)	Higher Redemption Amount:	[ ]		
	(b)	Regulatory Event Redemption:	[Applicable/Not Applicable]		
	(c)	Regulatory Event Redemption and Regulatory Event Refinancing Option:	[Applicable/Not Applicable]		
	(d)	Solvency II Regulatory Event Redemption:	[Applicable/Not Applicable]		
	(e)	Issuer Call due to a Tax Event:	[Applicable/Not Applicable]		
	(f)	Issuer Call due to a Tax Call Event:	[Applicable/Not Applicable]		
	(g)	Issuer Exchange Option:	[Applicable/Not Applicable]		
19.		Investor Put:	[Applicable/Not Applicable]		
	(i)	Optional Redemption Date(s):	[ ]		
	(ii)	Optional Redemption Amount(s):	[ ] per Calculation Amount		
20.		Final Redemption Amount:	[ ] per Calculation Amount		

21. Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default: [ ] per Calculation Amount
22. Make Whole Redemption Price: [[ ] per Calculation Amount/Spens Amount/Make Whole Redemption Amount/Not Applicable]
- (i) Redemption Margin: [[ ]/Not Applicable]
- (ii) Reference Bond: [[ ]/Not Applicable]
- (iii) Quotation Time: [[ ]/Not Applicable]

### GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (i) Form: **[Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 30 days' notice given at any time/only upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]]
- [Permanent Global Note exchangeable for Definitive Notes on [30 days' notice given at any time/only upon an Exchange Event]]
- [Registered Notes:**
- [Regulation S Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]
- [Rule 144A Global Note held by a custodian for DTC (specify nominal amounts) exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]]
- (ii) New Global Note: [Yes] [No]
24. Additional Financial Centre(s): [ ]/[Not Applicable]
25. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of the Issuer:

By:

*Duly Authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from [ ] / [Not Applicable]
- (ii) Estimate of total expenses relating to admission to trading: [ ]

### 2. RATINGS

[The Notes to be issued [have been/are expected to be] assigned the following ratings:

- [ ] by Standard & Poor's Credit Market Services Europe Limited  
[ ] by Moody's Investors Service Ltd  
[ ] by Fitch Ratings Limited]

[Not Applicable]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. YIELD

Indication of yield: [[ ]/Not Applicable]

### 5. OPERATIONAL INFORMATION

ISIN Code: [ ]

Common Code: [ ]

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

Names and addresses of additional Paying Agent(s) (if any): [ ]

### 6. THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been

accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

7. **GENERAL**

Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]

144A Eligible: [144A Eligible/Not 144A Eligible]

## **ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE**

*[Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Notes being issued.]*

## GENERAL INFORMATION

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1. Upon admission of the Notes to the Official List, their listing will be expressed as a percentage of their principal amount (exclusive of accrued interest). 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 21 December, 2012. 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 UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject to the issue of the Notes. Prior to official 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.

In respect of any Series of Preference Shares to be admitted to the Official List and to trading on the Market on or following an Exchange Date, the Issuer will make an application on or about the relevant Exchange Date to the UK Listing Authority for such Preference Shares to be admitted to the Official List and to the London Stock Exchange for such Preference Shares to be admitted to trading on the Market.

2. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme. The establishment and update of the Programme was authorised pursuant to resolutions of the Board of Directors of the Issuer at meetings held on 6 September, 2001, 7 November, 2002 and 20 March, 2003 and by a resolution of a committee, established by resolutions of the Board of Directors of the Issuer at meetings held on 6 September, 2001, 7 November, 2002, 20 March, 2003, 20 March, 2006, 30 July, 2007 and 30 July, 2008, at a meeting held on 23 November, 2012.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and the International Securities Identification Number ("ISIN") and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms. The address of Euroclear is 3 Boulevard du Roi Albert II, B-1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, NY 10041-0099. The address of CREST is 33 Cannon Street, London EC4M 5SB. The address of any alternative clearing system will be specified in the applicable Final Terms.
4. Bearer Notes with an original maturity of more than one year and any Coupon or Talon appertaining thereto will bear a legend substantially to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"

The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

5. For so long as Notes may be issued pursuant to this Prospectus, copies of the following documents will, when published, be available during normal business hours from the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London:
- (i) the Trust Deed;
  - (ii) the Agency Agreement;
  - (iii) the Issuer-ICSDs Agreement;
  - (iv) the ACSM Calculation Agency Agreement;
  - (v) the forms of the Notes, the Coupons and the Talons;
  - (vi) the Memorandum and Articles of Association of the Issuer;
  - (vii) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December, 2010 and 31 December, 2011;
  - (viii) the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June, 2012;
  - (ix) a copy of this Prospectus; and
  - (x) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to (including the report of KPMG Audit Plc, referred to in paragraph 9 below) in this Prospectus.

Copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to Notes which are either admitted to trading on the Market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will also be published on the website of the London Stock Exchange through a regulatory information service.

Copies of each Final Terms relating to Notes which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, Trustee or Issue and Paying Agent as to the identity of such holder.

Copies of each resolution of the board of Directors of the Issuer or a committee of the board of Directors of the Issuer approving the terms of any Preference Shares to be issued on exchange of Exchangeable Notes may be obtained during normal business hours at the specified office of the Paying Agent, the Registrar of the Preference Shares and at the registered office of the Issuer.

6. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries as a whole since 30 June, 2012.
7. There has been no material adverse change in the prospects of the Issuer and its subsidiaries as a whole since 31 December, 2011.



8. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and its subsidiaries as a whole.
9. The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants & Registered Auditors of 15 Canada Square, London E14 5GL, who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial years ended 31 December, 2010 and 31 December, 2011. No other information referred to in this Prospectus has been audited by KPMG Audit Plc. The auditors of the Issuer have no material interest in the Issuer.

The Trust Deed provides that any certificate or report called for by, or provided by, the Auditors (as defined in the Trust Deed) or any other expert in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that any such certificate or report and/or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains a monetary or other limit on the liability of the Auditors or such other expert.

10. The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$\text{Issue Price} = \frac{\text{Coupon}}{m} * \frac{1 - \left[ \frac{1}{\left(1 + \frac{\text{Yield}}{m}\right)^{n * m}} \right]}{\frac{\text{Yield}}{m}} + \left[ \text{Final Redemption Amount} * \frac{1}{\left(1 + \frac{\text{Yield}}{m}\right)^{n * m}} \right]$$

Where:

“Coupon” means the annual coupon as specified in the applicable Final Terms;

“Yield” means the annual yield to maturity;

“m” means the number of interest payments in a year; and

“n” means the number of years to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication of prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

m = 2

n = 6

Coupon = 3.875%

Issue Price = 99.392%

Final Redemption Amount = 100%

$$99.392 = \frac{3.875}{2} * \frac{1 - \left[ \frac{1}{\left(1 + \frac{\text{Yield}}{2}\right)^{6*2}} \right]}{\frac{\text{Yield}}{2}} + \left[ 100 * \frac{1}{\left(1 + \frac{\text{Yield}}{2}\right)^{6*2}} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

11. The issue price and the amount of the relevant Notes will be determined before the filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions.

**THE REGISTERED OFFICE OF THE ISSUER**

**Prudential plc**  
Laurence Pountney Hill  
London EC4R 0HH

**ISSUE AND PAYING AGENT AND REGISTRAR**

**Citibank, N.A., London Office**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**ACSM CALCULATION AGENT**

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP

**TRUSTEE**

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

**LEGAL ADVISERS**

*To the Dealers and the Trustee*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

*To the Issuer*

**Slaughter and May**  
One Bunhill Row  
London EC1Y 8YY

**AUDITORS**

**KPMG Audit Plc**  
15 Canada Square  
London E14 5GL

**DEALERS**

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

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

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

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP