



RSA Insurance Group plc

(incorporated with limited liability in England and Wales under the Companies Act 1985 with registered number 2339826)

DKK650,000,000 Floating Rate Perpetual Restricted Tier 1 Contingent Convertible Notes

Issue Price 100 per cent.

The DKK650,000,000 Floating Rate Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**") will be issued by RSA Insurance Group plc (the "**Issuer**") on 27 March 2017 (the "**Issue Date**"). The Notes constitute direct, unsecured and subordinated obligations of the Issuer. The terms and conditions of the Notes are set out more fully in "*Terms and Conditions of the Notes*" below (the "**Conditions**").

The Notes will bear interest at a rate per annum, equal to (subject as described in the Conditions) the sum of the Screen Rate plus the Margin, payable quarterly in arrear on each Interest Payment Date, as more fully described in the Conditions.

The Issuer may elect at any time to cancel (in whole or in part) any Interest Payment (as defined herein) otherwise scheduled to be paid on an Interest Payment Date and shall, save as otherwise permitted pursuant to the Conditions, cancel an Interest Payment upon the occurrence of a Mandatory Interest Cancellation Event (as defined herein) with respect to that Interest Payment. Any interest accrued in respect of an Interest Payment Date which falls on or after the date on which the Conversion Trigger Event (as defined herein) occurs shall also be cancelled. The cancellation of any Interest Payment shall not constitute a default for any purpose on the part of the Issuer. Any Interest Payment (or part thereof) which is cancelled in accordance with the Conditions shall not become due and payable in any circumstances. Subject as provided in the Conditions, all payments in respect of or arising from the Notes are conditional upon the Issuer being solvent (as defined in the Conditions) at the time for payment and immediately thereafter.

Payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless that withholding or deduction is required by law. In the event that any such withholding or deduction is made in respect of payments of interest (but not in respect of any payments of principal), additional amounts may be payable by the Issuer, subject to certain exceptions, as more fully described in the Conditions.

The Notes are perpetual securities with no fixed redemption date. The Issuer shall only have the right to redeem or purchase the Notes in accordance with the Conditions. Noteholders (as defined herein) have no right to require the Issuer to redeem or purchase the Notes at any time.

Subject to the Regulatory Clearance Condition (as defined herein) having been satisfied, and to compliance with the Redemption and Purchase Conditions (as defined herein), the Notes may be redeemed at the option of the Issuer on the First Call Date or any Interest Payment Date thereafter at their principal amount plus accrued interest (if any). Upon the occurrence of certain specified events relating to taxation or following the occurrence of (or if there will occur in the forthcoming six months) a Capital Disqualification Event or a Ratings Methodology Event (each as defined herein), the Issuer may redeem the Notes at their principal amount plus accrued interest (if any) or vary or substitute the Notes for Qualifying Tier 1 Notes (as defined herein) or Rating Agency Compliant Notes (as defined herein), in each case subject to satisfaction of the Regulatory Clearance Condition and compliance with the Redemption and Purchase Conditions, and as more fully described in the Conditions.

UPON THE OCCURRENCE OF A CONVERSION TRIGGER EVENT (AS DEFINED HEREIN) THE NOTES WILL BE CONVERTED INTO ORDINARY SHARES OF THE ISSUER AT THE PREVAILING CONVERSION PRICE (AS DEFINED HEREIN).

With effect from the Conversion Date (as defined herein), no Noteholder will have any rights against the Issuer with respect to the repayment of principal or interest in respect of the Notes. The Notes are not convertible at the option of the Noteholders at any time.

The Notes are in registered form and are issued in denominations of DKK2,000,000 and integral multiples of DKK1,000,000 in excess thereof.

This document has been approved by the Irish Stock Exchange as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "**Official List**") and to trading on the Global Exchange Market of the Irish Stock Exchange ("**GEM**"). References in these Listing Particulars to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on GEM. GEM is the exchange regulated market of the Irish Stock Exchange and is not a regulated market for the purposes of Directive 2004/39/EC.

The Notes are expected to be assigned a rating of BB by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). Standard & Poor's is established in the European Union (the "**EU**") and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

You should read the whole of this document and the documents incorporated herein by reference. In particular, your attention is drawn to the risk factors described in the section entitled "Risk Factors" set out on pages 21 to 54 of this document, which you should read in full.

Certain information in relation to the Issuer has been incorporated by reference into this document, as set out in "*Documents Incorporated by Reference*".

Capitalised terms used but not otherwise defined in these Listing Particulars shall, unless the context requires otherwise, have the meaning given to them in the Conditions.

Joint Structuring Advisers

Citigroup HSBC

Joint Lead Managers

Citigroup Danske Bank HSBC

IMPORTANT NOTICES

This document constitutes the Listing Particulars in respect of the admission of the Notes to the Official List and to trading on GEM and for the purpose of giving information with regard to the Issuer and the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars are to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as defined in "*Subscription and Sale*" below) to subscribe or purchase, any of the Notes. The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Notes and distribution of these Listing Particulars, see "*Subscription and Sale*".

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

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of these Listing Particulars or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of these Listing Particulars or any such statement.

The Notes and any Ordinary Shares which may be delivered upon conversion of the Notes 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 are subject to U.S. tax law requirements. Subject to certain exceptions, Notes

and any Ordinary Shares which may be delivered upon conversion of the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Issuer or the Joint Lead Managers is providing any advice or recommendation in these Listing Particulars on the merits of the purchase, subscription for, or investment in, the Notes or the exercise of any rights conferred by the Notes.

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Listing Particulars;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Notes, such as the provisions governing a Conversion (including, in particular, the circumstances under which the Conversion Trigger Event may occur) and the situations in which interest payments may be cancelled or deemed cancelled; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

These Listing Particulars have been prepared on the basis that any purchaser of Notes is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Notes, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing. An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities with features similar to the Notes to retail investors. In particular, in June 2015, the UK Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the “**PI Instrument**”). The rules set out in the PI Instrument (as such rules may be amended or replaced from time to time) are referred to below as the “**PI Rules**”.

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest therein) from the Issuer and/or any Joint Lead Manager, each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Joint Lead Managers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
2. it will not:
 - (A) sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA; or
 - (B) communicate (including the distribution of these Listing Particulars) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell Notes (or any beneficial interest therein) to a retail client in or resident in the United Kingdom (the “**UK**”), in circumstances that would not (were the Notes within the scope of the PI Rules) give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Notes (or any beneficial interest therein) to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interest therein) and is able to bear the potential losses involved in an investment in the Notes and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (“**MiFID**”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (and any beneficial interest therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interest therein) by investors in any relevant jurisdiction.

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that would not (were the Notes within the scope of such rules) give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors” in these Listing Particulars for further information.

Furthermore no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been (or is intended to be) prepared and therefore offering

or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation (once in force).

In connection with the issue of the Notes, Citigroup Global Markets Limited (the “Stabilising Manager”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

In these Listing Particulars, unless otherwise specified or the context otherwise requires, references to:

- “£”, “Sterling” or “pounds” are to the lawful currency of the United Kingdom;
- “DKK”, “Danish Krone” and “øre” are to the lawful currency of Denmark; and
- “SEK” is to the lawful currency of the Kingdom of Sweden.

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OVERVIEW

This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Notes should be based on a consideration of these Listing Particulars as a whole, including the documents incorporated by reference herein. Capitalised terms which are defined in "Terms and Conditions of the Notes" have the same meaning when used in this overview.

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| Issuer | RSA Insurance Group plc. |
| Notes | DKK650,000,000 Floating Rate Perpetual Restricted Tier 1 Contingent Convertible Notes. |
| Issue Date | 27 March 2017. |
| Issue Price | 100 per cent. |
| Perpetual Notes | The Notes are perpetual Notes with no fixed maturity or redemption date, and the holders of the Notes (the " Noteholders ") have no right to require the Issuer to redeem or purchase the Notes at any time. |
| Status and Subordination | <p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves.</p> <p>The rights and claims of the Noteholders against the Issuer are subordinated as described in Condition 4 (<i>Subordination</i>).</p> |
| Interest Rate | The Notes will bear interest at a rate per annum, equal to (subject as described in the Conditions) the sum of the Screen Rate plus the Margin (being 4.85 per cent. per annum), payable quarterly in arrear on each Interest Payment Date. |
| Cancellation of Interest Payments | <p>If the Issuer does not make an Interest Payment (or part thereof) on the relevant Interest Payment Date, such non-payment shall evidence:</p> <ul style="list-style-type: none"> (i) the cancellation of such Interest Payment in accordance with the provisions described under "<i>Mandatory Cancellation of Interest Payments</i>" below; (ii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with Condition 7.7 (<i>Accrued Interest on Conversion</i>); or |

- (iii) the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under "*Interest Payments Discretionary*" below.

Mandatory Cancellation of Interest Payments

Subject to certain limited exceptions as more fully described in the Conditions, the Issuer shall be required to cancel any Interest Payment if:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment;
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment;
- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment;
- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (v) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) to cancel the relevant Interest Payment.

The Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made, to the extent permitted by the Relevant Rules, where:

- (A) the Mandatory Interest Cancellation Event is of the type described in paragraph (B) of Condition 6.2 (*Mandatory Cancellation of Interest Payments*) only;
- (B) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment;
- (C) the Relevant Regulator has confirmed to the Issuer that it is satisfied that payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Group; and
- (D) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

Issuer's Distributable Items

Without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the most recently ended financial year of the Issuer; plus
- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's latest financial year end to the date of the distribution; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's latest financial year end to the date of the distribution.

**Interest Payments
Discretionary**

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out in the Conditions. Accordingly, the Issuer may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any Interest Payment Date.

Solvency Condition

Other than in a winding-up or administration of the Issuer, or in relation to the cash component of any Conversion

Shares Offer Consideration, all payments in respect of or arising from (including any damages for breach of any obligations under) the Notes shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable by the Issuer in respect of or arising from (including any damages for breach of any obligations under) the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

Any payment of interest that would have been due but for the Solvency Condition being satisfied shall be cancelled.

For this purpose:

"Assets" means the unconsolidated gross assets of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the Directors may determine.

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

"Senior Creditors" means creditors of the Issuer: (a) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any); (b) whose claims constitute or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer; (c) whose claims are or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event.

Redemption at the option of the Issuer

Subject to certain conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes, on the First Call Date or any Interest Payment Date thereafter at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Redemption, substitution or variation at the option of the Issuer for taxation reasons

Subject to certain conditions, if:

- (A) as a result of a Tax Event which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date either: (i) the Issuer would be required to pay Additional Amounts; or (ii) the payment of interest would no longer be deductible for United Kingdom tax purposes; or (iii) in respect of the payment of interest, the Issuer would not to any material extent be entitled to have any attributable loss or non-trading deficit set against the profits (assuming there are any) of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist); and
- (B) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may, upon notice to the Noteholders either (at its sole discretion):

- (i) redeem all (but not some only) of the Notes on any Interest Payment Date at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 1 Notes.

Redemption, substitution or variation at the option of the

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred and is continuing, or, as a result of any change in, or amendment to, or any

Issuer due to a Capital Disqualification Event

change in the application or official interpretation of, any applicable law, regulation or other official publication, a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, upon notice to Noteholders either (at its sole discretion):

- (i) redeem all (but not some only) of the Notes on any Interest Payment Date at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Tier 1 Notes.

A "**Capital Disqualification Event**" is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by the Relevant Regulator or any court or authority entitled to do so of) the Relevant Rules, the whole or any part of the Notes are no longer capable of counting as Tier 1 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital.

Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event

Subject to certain conditions, if at any time a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in or clarification to the methodology of any Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, upon notice to Noteholders either:

- (i) redeem all (but not some only) of the Notes on any Interest Payment Date at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that

they become or remain Rating Agency Compliant Notes.

A "**Ratings Methodology Event**" will be deemed to occur upon a change in, or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by that Rating Agency to the Notes is, as notified by that Rating Agency to the Issuer or as published by that Rating Agency, reduced when compared to the equity content assigned by that Rating Agency to the Notes on or around the Issue Date.

Purchases

Subject to certain conditions, the Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price.

Conditions to redemption and purchase

Subject to certain conditions, the Issuer may not redeem any Notes unless each of the following conditions is satisfied:

- (A) the relevant date of any redemption or purchase is after the fifth (5th) anniversary of the Issue Date unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (B) in respect of any redemption or purchase of the Notes occurring after the fifth (5th) anniversary of the Issue Date and before the tenth (10th) anniversary of the Issue Date, the Relevant Regulator has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer including the Issuer's medium-term capital plan) unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (C) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;

- (D) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (E) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (F) no Insolvent Insurer Winding-up has occurred and is continuing;
- (G) the Regulatory Clearance Condition is satisfied; and
- (H) any other requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) have been complied with (and shall continue to be complied with following the proposed redemption or purchase).

Preconditions to redemption, variation, substitution or purchase

Prior to the publication of any notice of redemption, variation or substitution, the Issuer shall deliver to the Trustee a directors' certificate stating that, as the case may be, a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event or a Ratings Methodology Event) will occur within a period of six (6) months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date, such Tax Event, Capital Disqualification Event or Ratings Methodology Event was unlikely to occur.

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless:

- (i) it has notified the Relevant Regulator in writing of its intention to do so; and
- (ii) the Regulatory Clearance Condition has been satisfied.

Withholding tax and additional amounts

Payments on the Notes shall be made without any deduction for or on account of any United Kingdom taxes unless required by law. In that event, the Issuer will, subject to certain exceptions set out in Condition 10 (*Taxation*), pay such additional amounts in respect of Interest Payments, but not in respect of any payments of principal, as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding or deduction for, or on account of, any taxes required by law in the United Kingdom upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding or deduction.

Non-payment when due

If default is made by the Issuer in the payment of principal in respect of the Notes and such default continues for a period of fourteen (14) days or more, the Trustee may at its discretion, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere), provided that the Issuer shall not be in default (and the Trustee may not initiate such proceedings) if during the fourteen (14) days' grace period, the Issuer satisfies the Trustee that such sums were not paid:

- (A) in order to comply with any fiscal or other law, regulation or order of any court or competent jurisdiction, in each case applicable to such payment, the Issuer, the relevant Paying and Conversion Agent or any holder of the Notes; or
- (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said fourteen (14) days' grace period by independent legal advisers acceptable to the Trustee.

In the event of a winding-up or liquidation of the Issuer (whether in England and Wales or elsewhere and whether or not instituted by the Trustee), the Trustee may prove in the winding-up of the Issuer and/or claim in the liquidation

of the Issuer, such claim being subordinated in the manner described in the Conditions.

Conversion

If the Conversion Trigger Event occurs, each Note shall be irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, and the issuance of such Ordinary Shares to the Conversion Shares Depositary to be held on trust for the Noteholders.

Conversion Trigger Event

A Conversion Trigger Event shall occur if at any time:

- (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;
- (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or
- (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Whether the Conversion Trigger Event has occurred at any time shall be determined by the Issuer, and such determination shall be binding on the Trustee and the Noteholders.

Conversion Price

The Conversion Price per Ordinary Share in respect of the Notes is DKK35.479, subject to certain anti-dilution adjustments. *This is equivalent to a price of £4.14925 per Ordinary Share translated into DKK at an exchange rate of £1.00 = DKK8.5507 and rounded to three (3) decimal places.*

Conversion Shares Offer

Not later than the tenth (10th) Business Day following the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Conversion Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Conversion Share to be determined in the Issuer's sole and absolute discretion but which shall be no less than the Conversion Price prevailing on the Share Delivery Date. The Issuer may, on behalf of the Conversion

Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

The Conversion Shares Offer Period shall end no later than 40 Business Days after the giving of the Conversion Shares Offer Notice by the Issuer.

Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Noteholders of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount. The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Noteholders. The cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Noteholders in Danish Krone irrespective of whether or not the Solvency Condition is satisfied.

Conversion Shares Offer Consideration

In respect of each Note and as determined by the Conversion Calculation Agent:

- (a) if all of the Conversion Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the pro rata share of the cash proceeds from the sale of such Conversion Shares attributable to such Note translated, if necessary, into Danish Krone at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs);
- (b) if some but not all of such Conversion Shares are sold in the Conversion Shares Offer:
 - (i) the pro rata share of the cash proceeds from the sale of such Conversion Shares attributable to such Notes translated, if necessary, into Danish Krone at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs); and
 - (ii) the pro rata share of such Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to

such Notes rounded down to the nearest whole number of Ordinary Shares; and

- (c) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Notes rounded down to the nearest whole number of Ordinary Shares,

subject, in the case of paragraphs (a) and (b)(i) above, to deduction from any such cash proceeds of an amount equal to the pro rata share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer.

Ordinary Shares

The Conversion Shares issued and delivered on the Share Delivery Date will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Share Delivery Date, save as provided in the Conditions.

Form

The Notes will be issued in registered form and represented upon issue by a registered global certificate (the "**Global Certificate**") which will be registered in the name of a nominee for a common depository (the "**Common Depository**") for Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on or about the Issue Date.

Denomination

The Notes will be issued in denominations of DKK2,000,000 each and integral multiples of DKK1,000,000 in excess thereof.

Meetings of Noteholders

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

Listing

Admission to listing on the Official List and to trading on GEM.

Ratings

The Notes are expected to be assigned a rating of BB by Standard & Poor's.

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

| | |
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| Governing Law | The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and construed in accordance with, English law. |
| Trustee | Citicorp Trustee Company Limited |
| Principal Paying and Conversion Agent | Citibank, N.A., London Branch |
| Conversion Calculation Agent | Conv-Ex Advisors Limited |
| Joint Lead Managers | Citigroup Global Markets Limited, Danske Bank A/S and HSBC Bank plc |
| ISIN | XS1584997891 |
| Common Code | 158499789 |
| Clearing Systems | Euroclear and Clearstream, Luxembourg. |
| Registrar | Citigroup Global Markets Deutschland AG |
| Selling Restrictions | The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. See " <i>Subscription and Sale</i> " below. |
| Use of Proceeds | The net proceeds of the Notes will be used for the general corporate purposes of the Group (which may include, without limitation, the repurchase or refinancing of existing debt). |

RISK FACTORS

The Notes are being offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Notes in the primary or secondary markets unless they are professional investors. Investing in the Notes involve risks. Prospective investors should have regard to the factors described in this section before deciding whether to invest in the Notes.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most 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 the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are described below.

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

Unless the context requires otherwise, capitalised terms which are defined in "Terms and Conditions of the Notes" have the same meaning when used herein.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

Risks related to the Group's business

Failure to maintain adequate capital could have a variety of negative regulatory and operational implications for the Group

Insurance companies such as the Group are required to maintain a minimum level of assets in excess of the value of their liabilities (referred to as regulatory capital) to comply with a number of regulatory requirements relating to the Group's (and the Issuer's subsidiaries') solvency and reporting bases. These regulatory requirements apply to individual insurance subsidiaries on a standalone basis and in respect of the Group as a whole. The Group's regulatory capital requirements have in the past both increased and decreased, and may from time to time in the future increase and decrease for a number of reasons. The Group's capital position is also assessed by its regulators, which may include evolving regulatory views on capital adequacy.

The Group's capital position can be adversely impacted by a number of factors, in particular factors that erode the Group's capital resources and could impact the quantum of risk to which the Group is exposed. Such factors include lower than expected earnings and accumulated market impacts (such as interest rates, foreign exchange, pension deficit movements and asset valuation). In addition, any event that erodes current profitability and/or is expected to reduce future profitability or make profitability more volatile could impact the Group's capital position.

The Group has undertaken a variety of measures to strengthen its capital position in light of emerging trends in capital adequacy, including the introduction of 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**") which came into force on 1 January 2016, as well as to provide the Group with the flexibility to operate with fewer capital constraints. The Group continues to monitor its capital position and take the steps required to maintain a strong capital position with adequate capital buffers. Failure to achieve and maintain adequate capital buffers could have an adverse impact on growth prospects for the Group.

Any inability to meet regulatory capital requirements in the future would be likely to lead to intervention by regulatory authorities in each of the relevant jurisdictions in which the Group operates and by the Prudential Regulatory Authority (the "**PRA**"), as regulator for the wider Group. In these circumstances, the PRA, in the interests of policyholder security, could be expected to require the Group to take steps to restore regulatory capital to acceptable levels, for example, by requiring the Group to cease to write or reduce writing new business or by imposing restrictions on the fungibility or movement of capital between the Group entities. Local regulatory authorities may also intervene by requiring additional capital to be held locally, in regulated subsidiaries and may also restrict the Group's ability to transfer capital among regulated entities. The Group may also need to purchase more risk hedging instruments including increasing its reinsurance coverage or divesting additional parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short time frame. The Group and its regulated Subsidiaries might also have to reduce the amount of dividends they pay to their respective shareholders, or possibly cease paying dividends to meet their regulatory capital requirements.

Failure of the Group to maintain adequate levels of capital could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Changes in the Group's credit ratings may adversely affect the Group

Credit ratings are an important factor in the Group's competitive position. Rating agencies periodically review the financial performance and condition of insurers, including the Group and its insurance Subsidiaries. Rating agencies assign ratings based upon a variety of factors according to published criteria. While most of the factors relate to the rated company including the level of capital, market positions and diversity of insurance risk, some of the factors relate to general economic conditions and other circumstances outside the rated company's control. In addition, the Group's investments and its credit exposures under its reinsurance arrangements are taken into account when calculating the Group's credit rating, as well as an assessment of its enterprise risk management and governance.

As at the date of these Listing Particulars, the Group's insurance financial strength ratings are A (stable outlook) from Standard & Poor's and A2 (stable outlook) from Moody's Investors Service Limited ("**Moody's**"). These ratings reflect the current opinions of the rating agencies and remain subject to change. There can be no assurance that the Group will be able to maintain its current credit ratings.

A downgrade of any of the Group's credit ratings could have a material adverse impact on the ability of the Group to write certain types of general insurance business, particularly commercial insurance business. A downgrade could also lead brokers (especially large global brokers) to stop

recommending the Group's products and lead to the loss of other customers whose confidence in the Group may be affected or whose policies require insurance from insurers with a certain minimum rating. While the Group could, among other things, consider writing business on a fronted basis (i.e. an arrangement where a higher rated insurer writes certain lines of the Group's business) to mitigate the effects of the loss of broker recommendations, such measures may have an adverse effect on the Group's underwriting profitability. A downgrade could also impact the terms and availability of financing and access to the debt capital markets or require the Group to post collateral under its outstanding derivative contracts. A reduction by Standard & Poor's and/or Moody's in credit quality metrics (such as the Group's enterprise risk management rating, business risk profile and management strength assessments) could require the Group to hold additional capital, on the basis of Standard & Poor's methodology, to maintain its current credit rating.

A downgrade of any of the Group's credit ratings, and the related consequences described above, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Factors outside the Group's control, including adverse economic conditions or political developments, including the UK's exit from the EU, may adversely affect the Group's business, financial condition and results of operations, and these adverse economic conditions may continue in certain markets

As a general insurer, the Group's return on investments and results of operations are materially affected by volatility in the worldwide financial markets and changes in general macroeconomic conditions. Increased volatility in the financial markets in recent years and prolonged low yields in the global fixed income markets have been influenced by a wide variety of factors, including:

- concerns over the slow rates of growth in the global economy and, in particular, the impact of austerity measures in major developed economies and slowing rates of growth in emerging markets;
- high levels of sovereign debt;
- inflationary or deflationary threats;
- extensive use of macroeconomic and monetary policy tools by governments, central banks and other institutions, and uncertainty about future interest rate movements in the United States and the UK;
- the solvency of financial institutions and the evolving state of regulatory capital requirements for banks and insurance companies; and
- the failure of governments to agree upon, and implement, necessary fiscal, monetary and regulatory reforms.

Ongoing uncertainty over future fiscal and monetary policy, particularly within the EU and the United States, and any further instability affecting one or more EU Member States or its financial institutions, particularly with the impending elections in France and in Germany in 2017, could continue to further disrupt global markets, including equity and fixed income markets. This may

have a material adverse impact on the Group's investment portfolio and investment income due to continuing low interest rates and general market volatility. See *"The Group is exposed to risks in relation to its investments"* for further information on the risks related to the Group's investment portfolio and investment income.

On 23 June 2016 the UK held a referendum in which voters were asked to decide whether the UK should remain a member of the EU or leave the EU. The outcome of the referendum was a vote to leave the EU. The EU referendum result presents uncertainties to the financial markets, UK economic growth prospects and future regulation, with significant depreciation of Sterling against other core currencies, the prospect of increased rates of inflation and the possibility of increased regulatory protectionism with subsidiaries required to hold higher levels of capital and dividends being blocked, see *"Funding and liquidity risks are inherent in the Group's operations"*. The currency risk to RSA is mitigated through non-Sterling profits earned outside of the UK and having most of RSA's EU income being earned through separate regulated EU entities. RSA is exposed to both claims and pension costs inflation which could adversely impact the Group if either future claims or pensions costs, which mainly arise from the UK defined benefit schemes, prove to be higher than current actuarial projections. Both of these exposures are partly mitigated through the purchase of inflation swaps and options.

Macroeconomic conditions can impact the Group's underwriting results as well. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected, with customer behaviour and confidence exacerbating the unfavourable impact on demand. In addition, under these conditions, the Group may experience an elevated incidence of claims.

The Group's claims and unexpired risk provisions may not adequately cover actual claims

Claims are the Group's principal expense and it could take many years before all claims that have occurred as at any given accounting period will be reported and settled. The Group's results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting its premiums and establishing its reserves, and the Group's provisions for outstanding claims, unearned premiums and unexpired risks may prove to be insufficient to cover the Group's actual claims experience. For example, provisions for outstanding claims cannot represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time, as well as estimates of trends in claims severity, and other variable factors, including new bases of liability and general economic conditions, and can change over time. The diversity of the Group's insurance risks can make it more difficult to identify individual judgments and assumptions that are more likely than others to have a material impact on the future development of its insurance liabilities.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Group's business by either requiring it to extend coverage beyond its underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include:

- adverse changes in loss trends;

- adverse changes in the rate of inflation of claim costs such as automobile parts or healthcare costs;
- growth of claims culture;
- legislative or judicial action that affects policy coverage or interpretation, claim quantification, or pricing;
- a growing trend of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claims-handling and other practices;
- new causes of liability or mass claims;
- claims in respect of directors' and officers' coverage, professional indemnity and other liability covers; and
- climate change-related litigation.

In the UK, the Lord Chancellor has recently announced a reduction in the discount rate used by courts to calculate lump sum damages awards for future losses (typically for lost earnings arising from personal injuries and fatal accidents) (the so-called Ogden Tables), which has resulted in a corresponding increase in the value of future claims settlements. In addition, the UK Government will be undertaking a review of the wider framework for damages awards, which may have a material impact on the Group. Also in the UK, periodic payment orders ("**PPOs**") can be agreed or ordered in cases involving awards to cover cost of care and loss of income. An increase in healthcare inflation, claimant longevity or the propensity to award PPOs, rather than lump sums, would tend to increase the value of future claims settlements and thereby increase the costs of these settlements.

Frequent legislative changes, particularly those that affect long-tail lines of business (being lines of business characterised by a lengthy delay between the period of cover and either the emergence or the settlement of claims, or both) can heighten uncertainty around pricing and reserves. For example, the process of restating historical data to reflect legislative changes and any additional loadings included in the reserves to allow for legislative changes add an element of subjectivity to the reserving process for the relevant business.

As a consequence of these uncertainties, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Group's long-tail lines of business. For example, the Group's exposure to annuity-type claims dependent on the longevity of claimants, such as PPO claims in the UK and workers' compensation and motor injury claims in Scandinavia, are subject to risks not typically associated with non-life liabilities (including investment, longevity and indexation, or revision, risk). Due to these inherent uncertainties, actual losses for these long-tail lines especially could be significantly higher than initial estimates. Equally, the estimation of the provisions for the ultimate costs of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slow emergence and longer settlement period for these claims.

To the extent claims provisions are insufficient to cover actual losses or loss adjustment expenses, the Group would have to increase its claims provisions and incur a charge to the Group's earnings. Insufficient claims provisions could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, reserve strengthening or reserve releases can have a significant impact on reported results and period-to-period comparisons. The Group estimates its outstanding claims provision with the aim that, over the longer term, reserves should be more likely to run off favourably than adversely. However, this approach cannot entirely eliminate the risk of adverse movement.

The effects of emerging claim and coverage issues are inherently difficult to predict, but could result in an increase in either or both the number and the magnitude of claims, and may therefore have a material adverse effect on the Group's business, financial condition and results of operations.

Adverse and extreme weather-related events and other catastrophes have had, and in the future may have, a significant impact on the Group's results

The frequency and severity of claims incurred by the Group is affected by the incidence of adverse and extreme weather events and catastrophes. Severe weather events such as rainstorms, windstorms, snowstorms, hailstorms, earthquakes, tsunamis and volcanic eruptions may cause significant damage to equipment, homes and commercial property insured by the Group, particularly in heavily populated or industrialised areas where there is a commensurate concentration of risk. The Group suffered net losses in 2016 following the occurrence of the Fort McMurray Canadian wildfires.

The impact of weather-related events and climatic conditions on the Group's business may also be affected by other external factors beyond its control. For example, on 4 April 2016, the UK Government and the Association of British Insurers launched a not-for-profit scheme, known as "Flood Re" that is aimed at ensuring flood insurance in flood risk areas remains affordable and available. Flood Re is a levy-based system to guarantee cover to high risk properties using a pool of capital from which to settle flood claims. The introduction of Flood Re may increase price pressure with the potential to further squeeze margins.

The Group's business also involves writing insurance for catastrophic events such as hurricanes, earthquakes, tornadoes, floods, fires, acts of terrorism and industrial accidents. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. While the Group seeks to reduce its exposure to such events through selective underwriting practices, large loss provisions, reinsurance and the monitoring of risk accumulations, these actions may not be adequate and the incidence, timing and severity of catastrophes are inherently unpredictable. A single severe catastrophe or multiple catastrophes in any one period could, where claims exceed the limits of applicable reinsurance purchased by the Group, cause large losses for the Group and materially reduce its profitability or harm its financial position. The Group's 2017 reinsurance programme has been modelled to provide cover to withstand a 1 in 200 year event catastrophe loss. In addition, catastrophic events could harm the financial condition of issuers of obligations that the Group holds in its investment portfolio (thereby impairing those obligations) and the financial condition of the Group's reinsurers (thereby decreasing the probability of reinsurance recoveries).

New global security threats including financial volatility, political volatility (including terrorist threats and acts) and social unrest may also impact upon the Group.

The Group could lose market share, incur losses on some or all of its activities and experience lower growth if it is unable to offer competitive, attractive and innovative products and services or respond to changing distribution trends

The Group is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance products. Changes in lifestyle, technology, regulation, or taxation could significantly alter customers' actual or perceived need for insurance and the types of insurance sought. Changes in technology could give rise to new types of entrants into the insurance and/or insurance sales markets or the development of new distribution channels requiring further adaptation of the Group's business and operations. Although the pace of internet adoption varies across the world, the Group is seeing growing demand for online sales and service in all of the jurisdictions in which it operates. For example, competitive pressures from price comparison websites in the UK and Ireland and other new technologies and distribution channels (including changes driven by an increasingly digital society), may require changes to the Group's business operations (including IT systems and functionality), may put pressure on premiums that can be charged and may create the need for different product structures such as modular "build your own" products. Failure to update its IT systems adequately may result in the Group being unable to match the products or pricing of its competitors and therefore being unable to maintain its competitive position. The Group could lose market share, incur losses on some or all of its activities or experience lower growth if it is unable to offer competitive, attractive and innovative products and services that are also profitable, if it does not choose the right marketing approach, product offering or distribution strategy or if it fails to anticipate or successfully adapt to change.

New developments could result in reduced demand for the Group's products and require the Group to expend significant energy and resources and incur significant expenditure to change its product offering, build new risk and pricing models, modify and renew its operating and IT systems and/or retrain or hire new employees. Despite efforts to do so, the Group may not be able to respond to changes effectively or on a cost-efficient basis, which could have a material adverse effect on its business, prospects, results of operations and financial condition.

Loss of business reputation or negative publicity could negatively impact the Group's business and results of operations

The Group's success and the results of its operations are dependent on the strength and reputation of the Group and its brands. The Group is vulnerable to adverse market perception because it operates in an industry where integrity and customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, regulatory or other investigations or actions, press speculation and negative publicity, whether or not well founded, could damage its brands or reputation. The Group's reputation may also be adversely affected by negative publicity associated with those that it insures. In addition, claims management companies and consumer protection groups could increase their focus on the insurance industry, which may negatively impact the Group. Any damage to the Group's brands or reputation could cause existing customers, partners or intermediaries to withdraw their business from the Group and potential customers, partners or intermediaries to elect not to do business with the Group and could also make it more difficult for the Group to attract and retain qualified employees. Such damage to the Group's brands or reputation could cause

disproportionate damage to the Group's business, even if the negative publicity is factually inaccurate or unfounded.

The Group could be adversely affected by the loss of one or more key employees or by an inability to attract, retain and properly incentivise, or obtain UK or overseas regulatory approval for, qualified personnel

The future success of the Group is substantially dependent on the continued services and continuing contributions of its Directors, senior underwriters, senior management and other key personnel. While the Group has entered into employment contracts or letters of appointment with such key personnel, the retention of their services cannot be guaranteed.

The Group's continued success also depends upon its continuing ability to recruit and retain employees of suitable skill and experience, particularly those with financial, IT, underwriting, actuarial, claims, Solvency II and other specialist skills. The Group competes with other financial services groups for skilled personnel, primarily on the basis of its reputation, financial position, remuneration policies and support services, and may incur significant costs to recruit and retain appropriately qualified individuals.

In addition, the PRA and the Financial Conduct Authority (the "FCA") require Board members and individuals who effectively run the Group to be approved by the regulator. This includes the holders of the key Solvency II governance functions (Risk, Internal Audit, Compliance and Actuarial). The PRA and FCA may not approve individuals for such roles unless they are satisfied that they have appropriate qualifications and/or experience and are fit and proper to perform those functions, and may withdraw their approval for individuals whom they deem no longer fit and proper to perform those functions. Corresponding regulation with respect to individuals applies in many of the Group's overseas territories.

The loss of the services of one, or some of, the senior management or other key personnel or the inability to recruit, retain, motivate and train staff of suitable quality who are approved by the regulators could adversely affect the ability of the Group to continue to conduct its business and its competitive position, which could have a material adverse effect on the Group's results of operations and financial condition.

The Group is exposed to risks relating to fraud and misconduct

The Group is exposed to risk of misconduct and fraud, including policy (i.e. application-related) fraud and claims fraud from a variety of sources, such as employees, suppliers, intermediaries, customers and other third parties.

Misconduct: The Group has in place controls designed to ensure that risk selection is within the Group's risk appetite and that risk assumption adheres to the Group's pricing and reserving guidelines. Notwithstanding these controls, errors or misconduct by employees or agents may lead to losses. These may arise from, among other things, dealings with brokers, fraud, errors, failure to document transactions properly, failure to obtain proper internal approval, or failure to comply with internal guidelines and/or regulatory requirements.

It is not always possible for the Group to deter or prevent employee or agent misconduct and the precautions taken to prevent and detect this activity have not been and may not in the future be

completely effective in all cases. Resultant losses could have a material adverse effect on the Group's business, reputation, financial condition and results of operations.

Policy fraud and claims fraud: The Group is also at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased, and from customers who fabricate claims and/or inflate the value of their claims. The Group, in common with other general insurance companies, is also at risk from its employees failing to follow procedures designed to prevent fraudulent activity, as well as from its agents' fraudulent activity, such as falsifying policies or failing to remit premiums collected from customers on the Group's behalf. A failure to combat the risks of fraud effectively could adversely affect the profits of the Group as claims incidence and average payouts could increase. Further, such costs may have to be passed on to customers in the form of higher premium levels, which could result in a decrease in policy sales.

The occurrence of any of these events could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and cash flows.

The Group's business is dependent upon the successful functioning of its computer and data processing systems, failure of which could adversely affect the Group's business and damage its customer relationships

The Group relies on information technology systems for critical elements of its business process. These systems, which include complex computer and data processing platforms, may be disrupted by events including terrorist acts, natural disasters, telecommunications and network failures, power losses, physical or electronic security breaches, fraud, identity theft, process failures, computer viruses, computer hacking, malicious employee attacks or similar events. In addition, the Group may identify, and has identified, weaknesses in its computer and data processing systems, as well as the control environment for these systems. The failure of information technology systems could interrupt the Group's operations or materially impact its ability to conduct business. Material flaws or damage to the system, particularly if sustained or repeated, could result in the loss of existing or potential business relationships, compromise the Group's ability to pay claims in a timely manner and/or give rise to regulatory implications, which could result in a material adverse effect on the Group's reputation, financial condition and results of operations.

Certain of the Group's information technology and operational support functions are outsourced to third parties but remain critical to the Group's business, such as mitigation of electronic attacks. The Group is reliant in part on the continued performance, accuracy, compliance and security of all these service providers. If the contractual arrangements with any third party providers are terminated, the Group may not find an alternative outsource provider or supplier for the services, on a timely basis, on equivalent terms or without significant expense or at all. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to operational risks, such as those arising from the failure or improper operation of internal processes, including the Group's claims management processes, or other disruptions to the Group's business

The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control, such as natural disasters, power losses, network failures, increased transaction volume, terrorist attacks, process failures or similar events. Any failure, termination or constraint in respect of its systems could adversely affect the Group's ability to effect transactions, service its clients, manage its exposure to risk or expand its businesses or result in financial loss or liability to its clients, impairment of its liquidity, disruption of its businesses, regulatory intervention or reputational damage. In addition, the Group has outsourced elements of its investment management function to a variety of asset management companies and is dependent on their systems and controls in respect of the portfolios they manage.

A key assumption used in the pricing of the Group's insurance products, as well as the provisions for claims, is the relative time and efficiency with which claims will be notified, processed and paid. Efficient and effective claims management depends, among other things, on well-trained personnel making accurate and timely decisions with respect to claims handling. Inefficiencies and inaccuracies in managing and paying claims can lead to issues such as inaccurate indemnity decisions, inappropriate claims reserving and/or payment decisions, an increase in undetected fraud and inaccurate management information for reserving and pricing, resulting in additional claims costs and claims handling-related expenses as well as increased risk that technical reserves and/or pricing models will be inappropriate or inaccurate. This risk is particularly acute where the time lag between claim and payment is large. If the Group's claims management processes prove to be inefficient or ineffective or the Group otherwise suffers from costs or expenses above expected levels, the Group could be forced to refine its pricing models, potentially resulting in a loss of business, and to increase its technical reserves. Such additional costs or inflation effects could harm the Group's profitability, which could have an overall adverse effect on the Group's business, prospects, results of operations and financial condition.

Pension scheme liabilities may impact the Group. In particular, some of the Group's pension plans and other post-retirement benefits plans require significant Group contributions

The Group has a number of defined benefit schemes. The Group's contributions to its pension and other post-retirement benefits plans depend on plan performance and mortality experience, interest rates, fluctuations in equity markets, pension funding legislation and other factors. At an aggregate level these schemes had a net deficit of £197 million under revised IAS 19 as of 31 December 2016. Guaranteed deficit funding contributions of £65 million will be made in each of 2017, 2018 and 2019. There is a risk that a future funding valuation may show a deterioration in the schemes' financial position as a result of which the schemes' actuaries may recommend, and the Group may agree to, higher additional contributions or a shorter timetable for payment than previously agreed.

Key assumptions inherent in the calculation of the funding position of the Group's pension schemes include the expected rate of return on plan assets and inflation. If actual rates of return on invested plan assets were to decrease significantly, the Group's plan funding obligations could increase materially. The Group cannot predict whether changing conditions, including asset

performance, government regulation or other factors, will require it to make contributions in excess of its current expectations. An increase in the Group's contributions to its plans could have an adverse effect on the Group's capital position and financial condition.

As a regulated insurance group, the Group is subject to extensive regulatory supervision and legal requirements and any changes could adversely affect the Group's business and/or have significant implications for the Group's capital position

The Group's insurance subsidiaries are subject to financial regulation in each of the jurisdictions in which they conduct business. Regulatory authorities (such as the FCA and the PRA in the UK and other local regulatory authorities) have broad administrative power over many aspects of the Group's insurance business. Regulatory authorities are concerned primarily with the protection of policyholders rather than shareholders or creditors. Regulatory authorities have wide powers to supervise and intervene in the affairs of insurance companies and may, in specific circumstances, vary or cancel authorisations required to operate the Group's business. The Group must ensure regulatory compliance in all locations, with diverse regulatory requirements, increasing the burden of compliance and risk of non-compliance.

Insurance laws, regulations, policies, accounting rules and practices and other laws currently affecting the Group may change from time to time in ways which may have an adverse effect on the Group's business, financial condition or results of operations. Across the insurance industry, regulators are taking a more intrusive and stricter approach to regulated entities and are focused increasingly on capital and reserve adequacy, capital fungibility, as well as on consumer protection initiatives. Regulators in Europe can benchmark against the Solvency II principles and requirements, and the Canadian regulator has also developed Solvency II like requirements in parallel with the initiatives in Europe. There is a general trend for regulators to apply requirements on a case-by-case basis over and above generally mandated levels. Regulators are also increasingly considering regulatory approaches to insurance companies based on concepts recently applied to banks, including stricter requirements and accountability for directors and senior management and use of skilled person reviews and resolution and recovery frameworks. The regulatory changes and the manner in which they are implemented could increase the costs of doing business, reduce access to liquidity and limit the scope of permissible activities. While these changes will impact the entire industry, they could alter the competitive balance and could impact the Group more than some of its competitors. Also, changes in tax laws may decrease sales and profitability of products that currently receive beneficial tax treatment.

In addition to any changes impacting the business, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to applicable insurance laws or regulations. This may also require management to divert significant time and attention to the implementation of such changes and/or transitional arrangements, potentially to the detriment of the day-to-day running of the business. Although the Group monitors regulatory developments and takes steps to assess the impact of proposed changes, the Group cannot predict the exact timing, form or extent of any future regulatory or accounting initiatives or prospective or retrospective legislative changes.

The regulation of insurance business in Europe is largely based on the requirements of relevant EU directives. Inconsistent implementation and interpretation of directives by governments and regulatory authorities in different Member States (particularly more onerous implementation and interpretation in some or all of the jurisdictions in which the Group operates) may place the Group

at a competitive disadvantage to other European insurers or financial services groups established in other Member States and insurers or financial services groups headquartered outside the EU.

However, as a result of the outcome of the EU referendum and lack of clarity on how the UK will exit the EU, there is uncertainty as to how these directives will apply in the future. This may present an opportunity for the UK regulators to reduce the cost and impact of regulation on the UK insurance industry. However, if the UK insurance industry wants to continue to be able to trade across the EU largely unrestricted, it is unlikely that much EU regulation can be unwound as it is preferable that the regulatory regime is seen as largely equivalent with that in place across the EU. The result of the EU referendum has particularly created uncertainty as to whether UK firms will be able to establish branches in the EU and write business on a cross border basis after the UK exits. The Group is currently considering a number of options to allow us to continue to write business across the EU.

The new General Data Protection Regulation (“**GDPR**”) comes into effect on 25 May 2018. Irrespective of the outcome of the EU referendum the Information Commissioner has already advised that this regulation will be implemented in full in the UK. GDPR enhances the current data protection law and regulation to ensure that companies and organisations process personal data while having adequate measures in place to protect an individual’s rights in respect of that data. It significantly increases potential penalties for breaches. The Group is undertaking a review of all its processing of personal data to ensure that it meets the new regulations in a timely manner.

IAIS is developing a global insurance capital standard with formal adoption scheduled for 2019. There remains considerable uncertainty as to how this standard will interact with Solvency II and, in view of the outcome of the EU referendum, the level of importance that the PRA will place on this standard.

Solvency II imposes risk-based capital requirements on the Group

Solvency II, which imposes new risk-based capital requirements on European-domiciled companies, was formally approved by the European Parliament in 2009. Solvency II came into force in the UK and other Member States on 1 January 2016.

Insurers are permitted to calculate solvency capital requirements by using a detailed standard formula approach or by developing their own internal model, which must be approved by the relevant regulator(s). On 5 December 2015, the Issuer received approval from the PRA for its full internal model. This approval took effect on 1 January 2016 and covers the solvency capital requirement for the Issuer and its principal EEA subsidiaries.

There is a risk that in the future changes are required to be made to the approved internal model and its related applications could have a material impact on the Group’s Solvency II capital position. Where internal model changes are subject to regulatory approval, there is a risk that the approval is delayed or not given. In such circumstances, changes in RSA’s risk profile would not be able to be appropriately reflected in its internal model, which could have a material impact on the Group’s Solvency II capital position.

There is also a risk that the regulator may change its approach to the calculation of capital requirements and/or treatment of capital resources which could adversely impact the Group's capital position.

The Group's risk management policies and procedures may leave the Group exposed to unidentified or unanticipated risks, which could have a material adverse effect on its business, financial condition, results of operations

The Group continually reviews its risk management policies and procedures and will continue to do so in the future. Many of the Group's methods of managing risk and exposures are based upon observed historical market behaviour and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence, or other matters that are publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up-to-date or properly evaluated. The Group's risk management methods reflect certain assumptions about the degrees of correlation or lack thereof among the business performance of different lines of business or among prices of various asset classes or other market indicators. In times of market turmoil or other unforeseen circumstances, similar to those that occurred during 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements may limit the effectiveness of the Group's risk management methods.

The Group faces significant competition from other global, national and local insurance companies and from self-insurance

The Group competes with global, national and local insurance companies, including direct writers of insurance coverage as well as non-insurance financial services companies, such as banks and broker-dealers. Some of these competitors are larger than the Group and have greater financial, technical and operating resources and others have lower cost bases, enabling their pricing to be more competitive. The general insurance industry is highly competitive on the basis of price, service and coverage and is experiencing ongoing changes in distribution in many of the markets in which it operates. There are many companies competing for the same insurance customers in the geographic areas in which the Group operates. If the Group's competitors price their premiums at a lower level than the Group and the Group matches their pricing, this may have a material adverse effect on the Group's underwriting results. In addition, if competitors attract current or potential policyholders from the Group in areas in which the Group wishes to compete, the Group's operating and financial performance may be materially adversely affected.

In addition, developments in the general insurance industry, particularly the rapid growth of price comparison websites in certain of the Group's markets, have made it easier for consumers to compare the premiums and terms offered by various insurance providers. Price comparison websites have also enabled the entry into the market of niche private insurers by allowing them to reach a large number of potential customers without incurring significant upfront marketing costs. This transparency is also driven by the increasing use of social media and mobile smart devices fuelling access to instant information. If additional competitive pressure compels the Group to reduce premiums further, its operating margins and underlying results may be materially adversely affected. The Group also faces competition from self-insurance in the commercial

insurance area, with many of the Group's customers and potential customers examining self-insurance as an alternative to traditional insurance.

The Group's business depends on brokers, agents and other intermediaries, some of whom also act for the Group's competitors, to distribute its products; the loss of business provided by such brokers and agents or a failure by them to fulfil relevant regulatory and legal compliance obligations as well as their payment obligations could have a material adverse effect on its financial performance

The Group relies on brokers, other intermediaries and agents to distribute many of its products. Independent brokers are not committed to recommend or sell the Group's products. As such brokers and intermediaries represent more than one insurance company, the Group faces competition within such brokerages. Consequently, the Group's relationships with its brokers are important and the failure, inability or unwillingness of brokers to market the Group's products could have a material adverse effect on its results of operations. The Group operates in a competitive market and relationships with brokers are important; if a broker demands higher commissions or a greater share of revenues, this could have a material adverse effect on the Group's results of operations.

The regulatory environment is increasingly imposing more stringent requirements on institutions to ensure that activities outsourced to third parties are being appropriately controlled with all regulatory and legal requirements being met. RSA has a number of outsourced arrangements with external parties where there has been a delegation of underwriting and claims handling activities. There is a risk that RSA could be liable for any breaches of regulatory and/or legal requirements by any such third party which could result in fines or other penalties being imposed on the Group.

In addition, brokers, other intermediaries and agents distributing the Group's products pose a credit risk to the Group. In accordance with industry practice, the Group at times pays amounts owed on claims under its policies to distributors and these distributors, in turn, pay these amounts to the clients that have purchased insurance from the Group. If a distributor fails to make such a payment, it is possible that the Group will be liable to the client for the deficiency because of local laws or contractual obligations. Likewise, in certain jurisdictions, when the insured pays premiums for these policies to distributors for subsequent payment to the Group, these premiums might be considered to have been paid and the insured will no longer be liable to the Group for those amounts, whether or not the Group actually received the premiums from the distributor. Consequently, the Group assumes a degree of credit risk associated with distributors around the world. Resultant losses may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's results of operations, financial condition, profitability and liquidity may be impacted by the inability of the Group to obtain reinsurance and/or by the failure of the Group's reinsurers to meet their obligations

The Group transfers exposure to certain risks to others through reinsurance arrangements, which it typically renews on an annual basis. Under the Group's arrangements, other insurers assume a portion of the losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of the Group's

reinsurance will increase the Group's risk of loss. While there is a relatively low probability that the Group will be unable to obtain any reinsurance, were such risk to materialise it would significantly increase the Group's exposure to losses and may have a material adverse effect on the Group's financial condition and results of operations.

When the Group obtains reinsurance, it remains primarily liable for the reinsured risks without regard to whether the reinsurer meets its reinsurance obligations to the Group. Therefore, the Group is exposed to disputes on, and defects in, contracts with its reinsurers, challenges to claims asserted against reinsurers and the possibility of default by its reinsurers, which could have a material adverse effect on the Group's financial condition, results of operations and cash flows. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. The Group, and insurers generally, are exposed to concentrations of risk with individual reinsurers, due to the nature of the reinsurance market, capacity constraints and the restricted range of reinsurers that have acceptable credit ratings. The Group is also exposed to any systemic failure in the reinsurance market.

Reinsurance recoverables are a significant credit risk to the Group. Collectability of reinsurance is largely a function of the solvency of reinsurers. A reinsurer's insolvency, or inability or refusal to make payments under the terms of any of its agreements with a member of the Group, could have a material adverse effect on the Group.

The Group may accept excessive risks, or may misprice risks that it assumes, which may result in significant underwriting losses, and may not appropriately manage the risks that it undertakes

The Group is in the business of underwriting risks. Underwriting is a matter of judgement, involving important assumptions about matters that are inherently unpredictable and beyond the Group's control and for which historical experience and statistical analysis may not provide sufficient guidance. The Group's results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting the prices for its products. It is not possible to predict with certainty whether a single risk or a portfolio of risks underwritten by the Group will result in a loss, or the timing and severity of any loss that does occur. The Group may fail to accurately assess the risks it underwrites, the Group's underwriters may fail to comply with internal guidelines on underwriting, or events or circumstances may cause the past risk assessment to be incorrect, and the premiums that the Group receives for accepting such risks may not adequately compensate it. In addition, it is possible that despite the Group's best efforts, losses may aggregate in ways that were not anticipated. Adverse development can be experienced for significant periods of time. Acceptance of excessive risks or mispriced risks will likely result in lower reported earnings (or net losses) in a future period.

Failure by the Group to manage the risks that it undertakes could have a material adverse effect on the Group's financial condition and results of operations.

The Group is exposed to risks in relation to its investments

The Group is exposed to market risk (which includes the risk of potential losses from adverse movements in market rates and prices including interest rates, credit spreads, equity prices, property prices and foreign currency exchange rates), credit risk (which includes non-performance of contractual payment obligations on invested assets and changes in the

creditworthiness of invested assets such as exposures to issuers or counterparties for bonds, equities, deposits and derivatives) and liquidity risk (which includes the risk of loss as a result of assets not being available in a form that can immediately be converted into cash and therefore the consequence of not being able to pay obligations when due) on its invested assets. Fluctuations in the fixed income or equity markets and contractual non-performance in respect of, or changes in the creditworthiness of, invested assets could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Fluctuations in interest rates affect returns on, and the market values of, the Group's long-term debt and fixed income securities. Interest rates are typically subject to factors beyond the Group's control. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are redeemed prior to their maturity date, mature or are sold and the proceeds reinvested at lower rates. Low interest rates prevailing over the last few years have made it more difficult for insurance companies, such as the Group, to maintain investment returns and the persistence of the low interest rate environment will continue to put downward pressure on the Group's investment returns.

While the Group has a modest exposure to ordinary equity securities in its insurance investment portfolio, it retains exposure to some equity investments in unlisted companies, which are less liquid than investments in listed equity securities. The Group also retains exposure to some equity securities indirectly through assets held by the Group's defined benefit pension schemes.

The Group has a portfolio of illiquid investments that are exposed to credit, liquidity and valuation risks, where the investment valuation is more subjective than an investment which is regularly traded on a recognised exchange.

The Group also invests in a portfolio of properties that are subject to property price risk arising from changes in the market value of properties. If the value of property falls, so will the fair value of the portfolio, which would reduce the Group's resources.

The Group in the future could reassess its asset mix and elect to increase its direct exposure to riskier and more volatile asset classes, including the asset classes described above. Equities, for example, are generally subject to greater risks and more volatility than fixed income securities.

Low investment returns, caused in the current economic environment largely by low interest rates, can have a variety of effects. In addition to the impact on the Group's earnings, low returns can impact solvency capital, and can also impact, particularly if underwriting results are under pressure, the Group's ability to fund growth in markets that have the potential in the current insurance cycle to be more profitable.

In addition, a lack of pricing transparency, market liquidity, declines in equity prices, and foreign currency movements, alone or in combination, could have a material adverse effect on the Group's results of operations and financial condition through realised losses, impairments or changes in unrealised gains positions.

From time to time, the Group uses hedging, forward contracts and derivative instruments to reduce its exposure to adverse fluctuations in interest rates, inflation, foreign exchange rates and equity markets. Any failure by any of the Group's counterparties to discharge their obligations or

to provide adequate collateral if and when required could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Acquisitions, disposals and other corporate transactions undertaken by the Group may not realise expected benefits

The Group has acquired and may in the future acquire and dispose of businesses as part of its normal operations and optimisation of its business portfolio. The Group does not envisage making any significant acquisitions in the near term. To the extent that it decides to do so in the future, the Group may not be able to identify and complete such appropriate acquisitions, on acceptable terms or on a timely basis. The integration of such acquisitions may not be successful or in line with the Group's expectations and the acquired business may fail to achieve in the near or long term the financial results projected or the strategic objectives of the relevant acquisition (such as cost savings or synergies). Inability to realise expected benefits from acquisitions or disposals may affect the Group's results of operations. Acquisitions and disposals can also place a strain on Group-wide internal control systems and management resources.

The Group derives the majority of its net written premium and underwriting result from markets outside the United Kingdom and changes in foreign exchange rates may impact the Group's results

The Group operates in a number of markets with different currencies, and publishes its consolidated financial statements in Sterling. The Group incurs both currency transaction risk and currency translation risk by underwriting liabilities and transacting generally in currencies other than the currency of the primary environment in which the business units operate and by investing in overseas subsidiaries and non-Sterling denominated assets. Fluctuations in exchange rates used to translate other currencies from around the world into Sterling could have a material adverse effect on the Group's financial condition, results of operations and cash flows. These fluctuations in exchange rates will also impact the Sterling value of the Group's investments and the return on its investments in Sterling, as well as the Sterling value of dividends received in currencies other than Sterling from operating subsidiaries in overseas jurisdictions. The Group currently hedges some of its currency exposures using currency forward contracts and foreign exchange options. However, hedging transactions do not eliminate the exchange rate risk entirely, and may not be fully, or at all, effective.

Funding and liquidity risks are inherent in the Group's operations

Liquidity risk is the risk that the Group does not have sufficient financial liquid resources to meet its insurance and other obligations when they fall due or can only do so at excessive cost.

While the Group holds a significant portfolio of assets that are available to generate funds through either outright sale or sale and repurchase arrangements with other market participants, depositories or central banks, the Group's ability to access funding sources on favourable economic terms or to liquidate its assets to satisfy claims or for other purposes (for example, to refinance existing indebtedness at call dates or at maturity) is dependent on a variety of factors, including a number of factors that are outside its control, such as general market conditions and confidence in the global banking system. The capital and credit markets may be subject to periods of extreme volatility and disruption, which could cause the Group's liquidity and credit capacity to be constrained. Moreover, a downgrade in the credit ratings of the Group may adversely affect

the Group's liquidity position (for example, by triggering a need for posting collateral), as well as increase the cost of raising sufficient liquidity.

The Group's ability to meet liquidity and/or fungibility needs, and its subsidiaries' ability to pay dividends, may also be constrained by regulations that require its regulated entities or overseas branches to maintain or increase regulatory capital (on a statutory equity basis) or that restrict the flow of intra-group funds, by the timing of dividend payments from subsidiaries or by the fact that certain assets may be encumbered or otherwise non-tradeable. The Group may have adequate capital on a consolidated group basis, but a need for liquidity (cash or liquid assets that can be converted to cash, to meet financial obligations) could arise in a particular legal entity and the Group's ability to access group liquidity for that entity may be limited by legal, tax or regulatory constraints on the flow of intra-group funds. In addition, insurance groups with operations in multiple jurisdictions face the prospect of inconsistent approaches as between group and solo regulation, and as a result the Group may be required to maintain higher levels of capital in any particular entity to satisfy applicable local requirements, which may have the effect of increasing the Group's overall capital requirement.

The cyclical nature of the general insurance industry may cause fluctuations in the Group's results

Historically, the general insurance industry has been subject to cyclical patterns, particularly since demand for property and casualty insurance is usually price-sensitive because of the limited degree of product differentiation inherent in the industry. In the past, this has caused significant cyclical fluctuations and volatility in the results of operations of general insurers. Many of the factors contributing to these cyclical patterns are beyond the direct control of any insurer and therefore unpredictable as to timing and consequence, such as: changes in the macroeconomic environment (including economic downturns) as well as conditions in the credit and other capital markets, which can affect the Group's returns on its investments; the timing and/or severity of weather-related or other catastrophic events, which can affect the Group's claims and/or losses; changes in the levels of insurance and reinsurance underwriting capacity; and changes in the level and effect of competition.

In periods when the price of risk is high, the high profitability of selling insurance attracts new entrants and hence new capital into the market. However, increased competition drives premiums down, which may result in lower revenues for the Group. Eventually the business becomes uneconomic and some competitors, suffering from losses, reduce exposures or exit the market, resulting in lower capital invested within the market. Decreased competition leads to increasing prices, thereby repeating the cycle. The Group is exposed to such cyclical effects, including the need to increase or decrease policy prices to remain profitable and/or competitive, which could have a material adverse effect on the Group's financial condition, results of operations and cash flows. The Group's various property and casualty business lines are not always at the same stage of the cycle. The adverse effect of cyclical nature can be exacerbated if multiple factors fail to offset one another. Cyclical nature affects both lines of business and geographies.

The unpredictability and competitive nature of the general insurance business historically has contributed to significant quarter-to-quarter and year-to-year fluctuations in underwriting results and net earnings in the industry generally and to volatility in the Group's results of operations and financial condition. During periods of low interest rates (as is currently the case), the effects of

cyclicality in factors affecting underwriting results can have a further, more pronounced effect on net earnings.

The Group may, from time to time, be subject to litigation, inquiries or investigations that could divert management time and resources and result in fines, sanctions, variation or revocation of permissions and authorisations, reputational damage or loss of goodwill

The Group, in common with the insurance industry in general, is involved in, and may become involved in, legal proceedings (including class actions) that may be costly if they are not determined in the Group's favour and that may divert management's attention away from the running of the business. In the ordinary course of the Group's insurance activities, it is routinely involved in legal, mediation and arbitration proceedings with respect to liabilities which are the subject of policy claims.

In recent years, the insurance industry has been the focus of increased regulatory scrutiny as regulators in a number of jurisdictions in which the Group operates have conducted inquiries and investigations into the products and practices of the financial services industry. The Group is also subject to regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business in many of the jurisdictions in which it operates. For example, the Central Bank of Ireland continues to investigate the inappropriate collaboration among a small number of senior executives resulting in claims and financial irregularities with respect to the Irish business. The Group may be subject to sanctions (including regulatory fines) in connection with the losses uncovered. The impact of these inquiries and investigations may be difficult to assess or quantify. The regulatory authorities conducting such inquiries or investigations may seek to impose significant fines, sanctions and/or customer redress. In addition, such inquiries or investigations could result in adverse publicity for, or negative perceptions regarding, the Group or they could affect its relations with current and potential customers, as well as divert management's attention away from the day-to-day management of the Group's business.

The FCA and/or the PRA may, from time to time, make enquiries of insurance companies regarding compliance with particular regulations and conduct reviews into certain products, selling practices or other aspects of UK insurers' businesses, including those of the Group. These could be a review of products sold in the past under previously acceptable market practices at the time (for example, on 1 April 2016 the FCA introduced new rules for selling add-ons in the general insurance industry, following a study that found that they tend to represent poor value for money for customers. The FCA have proposed rules and guidance on banning opt-out selling, and improving product information provision in relation to general insurance add-ons.)

Regulatory authorities in other jurisdictions have similar power and, as a result, the Group also faces similar risks in such jurisdictions. In each case, the impact of the Group being found to be non-compliant with business activity regulation is difficult to assess or quantify, but regulatory proceedings could result in a public reprimand, substantial monetary fines or other sanctions which could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Losses or financial penalties resulting from any current or threatened legal or regulatory actions may have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, if the Group fails to identify and eliminate potential mis-selling practices

or to effectively manage and reduce the risk of mis-selling, the Group may be exposed to financial or reputational risk.

In addition, various jurisdictions in which the Group operates have created consumer compensation schemes to protect consumers in the event of the failure of a market participant. These require mandatory contributions from market participants. Although the Group's past contributions to such schemes were not material, circumstances may arise when contributions to compensation schemes could be substantially higher than expected. In addition, to the extent that legal decisions in any of the jurisdictions in which the Group operates increase awards payable by the Group, the impact of which may be applied prospectively or retrospectively, claims provisions may prove insufficient to cover actual claims, claims adjustment expenses or future policy benefits. In such event, or where the Group has previously estimated that no liability would apply, the Group would have to increase its claims provisions and incur a charge to its earnings. Such insufficiencies could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

In addition, jurisdictions in which the Group operates are subject to anti-money laundering and financial sanctions regimes. Financial penalties could result from a failure to comply with these regimes.

Factors which are material for the purpose of assessing the market risks associated with the Notes

Risks related to the structure of the Notes

The Issuer's obligations under the Notes are subordinated

The Issuer's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

If at any time prior to the date on which a Conversion Trigger Event occurs (i) a winding-up of the Issuer occurs or (ii) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute, a dividend, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up of the Issuer or the Issuer's entry into administration and thereafter, the holder of that Note was the holder of one of a class of preference shares in the Issuer ("**Notional Preference Shares**"). The Notional Preference Shares have a preferential right to a return of assets in such winding-up or administration to, and so rank in priority to, the holders of the Ordinary Shares and any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer (other than the Existing Preference Shares and any shares which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank, *pari passu* with, or in priority to, the Notional Preference Shares in a winding-up or other return of capital). The Notional Shares have an equal right to a return of assets in such winding-up or administration to, and so rank *pari passu* with, the holders of securities of the Issuer which, by their terms, rank or are expressed to rank, *pari passu* with the Notes in a winding-up or other return of capital (including, without limitation, shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank *pari passu* with the Notional Preference Shares in a

winding-up or other return of capital). The Notional Preference Shares rank junior to the claims of Senior Creditors, the holders of the Existing Preference Shares and the holders of shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank, senior to the Notional Preference Shares in a winding-up or other return of capital.

If at any time on or after the date on which a Conversion Trigger Event occurs (i) a winding-up of the Issuer occurs or (ii) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute, a dividend, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up or administration of the Issuer and thereafter, the holder of that Note was the holder of such number of Ordinary Shares as it would have been entitled to receive on Conversion in accordance with Condition 7 (*Conversion*) (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 7.5 (*Conversion Shares Offer*)).

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

In addition, investors should be aware that, upon Conversion of the Notes following a Conversion Trigger Event, Noteholders will be effectively further subordinated as they will be treated as, and subsequently become, holders of Ordinary Shares, even if other existing subordinated indebtedness and preference shares remain outstanding. There is a risk that Noteholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise.

As the Issuer is a holding company, Noteholders are structurally subordinated to the creditors of the Issuer's Subsidiaries

The Notes are the obligations of the Issuer alone. The Issuer is a holding company and the Issuer's Subsidiaries are separate and distinct legal entities with no obligation to pay, or provide funds in respect of, any amounts due in respect of the Issuer's payment obligations under the Notes.

Payments on the Notes are structurally subordinated to all existing and future liabilities and obligations of the Issuer's Subsidiaries. Claims of creditors of such Subsidiaries will have priority as to the assets of such Subsidiaries over the Issuer and its creditors, including the Noteholders. Neither the Conditions nor the Trust Deed contain any restrictions on the ability of the Issuer or its Subsidiaries or associates to incur additional unsecured or secured indebtedness.

In the event of a Newco Scheme, the Issuer may without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes as the issuer of the Notes. If such a substitution occurs the claims of Noteholders will be structurally subordinated to the creditors of the Subsidiaries of Newco, including the remaining creditors of the Issuer.

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Notes

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make Interest Payments on the Notes, are a function of the Issuer's existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer's operating Subsidiaries up the Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer's operating Subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's operating Subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items.

The Notes have no scheduled maturity and Noteholders only have a limited ability to exit their investment in the Notes

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Although the Issuer may, under certain circumstances described in Condition 8 (*Redemption, Substitution, Variation and Purchase*), redeem the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem the Notes.

Therefore, Noteholders have no ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem the Notes in accordance with the Conditions, (ii) by selling their Notes or, following the occurrence of the Conversion Trigger Event and the issue and delivery of Ordinary Shares, their Ordinary Shares (provided the Ordinary Shares issued upon Conversion are not all sold to the Issuer's Shareholders pursuant to a Conversion Shares Offer), (iii) through the cash component of any Conversion Shares Offer Consideration, (iv) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Notes but fails to make payment in respect of such redemption when due, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors, or (v) upon a winding-up or administration of the Issuer, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of the actions described in (iv) to (v) above may be substantially less than the principal amount of the Notes or amount of the investor's investment in the Notes.

See also "*Absence of public markets for the Notes*" below.

Payments by the Issuer are conditional upon the Issuer being solvent

Other than in the circumstances set out in Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*) or Condition 4.3 (*Winding-up on or after a Conversion Trigger Event*), all payments in respect of or arising from (including any damages for breach of any obligations under) the Notes shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable by the Issuer in respect of or arising from (including any damages for breach of any obligations under) the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due but for the inability to comply with the Solvency Condition shall be cancelled pursuant to Condition 6.2 (*Mandatory Cancellation of Interest Payments*).

Interest Payments on the Notes are discretionary and the Issuer may cancel Interest Payments, in whole or in part, at any time. Cancelled Interest Payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer and is subject to Condition 4.1 (*Solvency Condition*), Condition 6.2 (*Mandatory Cancellation of Interest Payments*) and Condition 7.7 (*Accrued Interest on Conversion*). The Issuer may at any time elect to cancel any Interest Payment, in whole or in part, which would otherwise be payable on any Interest Payment Date. At the time of publication of these Listing Particulars, it is the intention of the Directors to take into account the relative ranking in the Issuer's capital structure of its Ordinary Shares and its outstanding restricted Tier 1 securities (including, but not limited to, the Notes) whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the Directors may depart from this policy at any time in their sole discretion.

Any Interest Payment (or relevant part thereof) which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the Interest Payment (or relevant part thereof) which is cancelled. In addition, cancellation or non-payment of Interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

The cancellation of any Interest Payment may affect the market value of an investment in the Notes.

In addition to the Issuer's right to cancel Interest Payments, in whole or in part, at any time, the Conditions require that Interest Payments must be cancelled under certain circumstances. Cancelled Interest Payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto

The Issuer must cancel any Interest Payment on the Notes pursuant to Condition 6.2 (*Mandatory Cancellation of Interest Payments*) in the event that, *inter alia*, the Issuer cannot make the payment in compliance with the Solvency Condition, the Solvency Capital Requirement or the Minimum Capital Requirement, or where the Interest Payment would, together with any Additional Amounts payable with respect thereto, exceed the amount of the Issuer's Distributable Items as

at the time for payment, or if required to cancel any Interest Payment by the Relevant Regulator or under the Relevant Rules.

Any Interest Payment which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the Interest Payment which is cancelled. In addition, cancellation or non-payment of Interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

The cancellation of any Interest Payment may affect the market value of an investment in the Notes.

Floating interest rate

The Notes will bear interest at a floating rate from and including the Issue Date. The floating rate will be payable quarterly, and will be determined by the Interest Calculation Agent as soon as practicable after 11:00 a.m. (Copenhagen time) on the second Business Day prior to the start of each Interest Period as the then prevailing Screen Rate plus the Margin (subject as provided in the Conditions).

Noteholders should be aware that the floating rate interest income is subject to changes to the Screen Rate and therefore cannot be anticipated. Hence, Noteholders are not able to determine a definite yield of the Notes at the time of purchase, so that their return on investment cannot be compared with that of investments in simple fixed rate (i.e. fixed rate coupons only) instruments.

In addition, Noteholders are exposed to reinvestment risk with respect to proceeds from Interest Payments or early redemptions by the Issuer. If the market yield declines, and if Noteholders want to invest such proceeds in comparable transactions, Noteholders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields.

Redemption payments under the Notes must, under certain circumstances, be deferred

Notwithstanding that a notice of redemption has been delivered to Noteholders, the Issuer must defer redemption of the Notes on any date set for redemption of the Notes pursuant to Condition 8 (*Redemption, Substitution, Variation and Purchase*) in the event that, *inter alia*, the Issuer cannot make the redemption payments in compliance with the Solvency Condition, the Solvency Capital Requirement, the Minimum Capital Requirement or the Regulatory Clearance Condition, or an Insolvent Insurer Winding-up has occurred and is continuing.

The deferral of redemption of the Notes does not constitute a default under the Notes for any purpose and does not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed. Where redemption of the Notes is deferred, the Notes will be redeemed by the Issuer on the earlier of (a) the date falling 10 Business Days after the date on which the Redemption and Purchase Conditions are met or otherwise waived pursuant to Condition 8.3 (*Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by Relevant Regulator*) or (b) the date on which an Issuer Winding-Up occurs.

Any actual or anticipated deferral of redemption of the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the redemption deferral provision of the

Notes, the market price of the Notes may be more volatile than the market prices of other debt securities without such deferral feature, including dated securities where redemption on the scheduled maturity date cannot be deferred, and the Notes may accordingly be more sensitive generally to adverse changes in the Issuer's financial condition.

Subject to certain conditions, the Issuer may redeem the Notes at the Issuer's option on certain dates

Subject, *inter alia*, to the solvency of the Issuer, to compliance with the Solvency Capital Requirement and Minimum Capital Requirement and to satisfaction of the Regulatory Clearance Condition, the Issuer may redeem all (but not some only) of the Notes at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption. Such redemption may occur (i) on the First Call Date or any Interest Payment Date thereafter, (ii) in the event of certain changes in the tax treatment of the Notes or payments thereunder due to a Tax Event or (iii) following the occurrence of (or there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event.

The redemption at the option of the Issuer on or after the First Call Date may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise above the price at which they can be redeemed.

An investor may 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.

Notes may be traded with accrued interest which may subsequently be subject to cancellation

The Notes may trade, and/or the prices for the Notes may appear, in trading systems with accrued interest. Purchasers of Notes in the secondary market may pay a price which reflects such accrued interest on purchase of the Notes.

If an Interest Payment is cancelled (in whole or in part) as described above, a purchaser of Notes in the secondary market will not be entitled to the accrued interest (or part thereof) reflected in the purchase price of the Notes.

Restricted remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up in England and Wales (but not elsewhere) of the Issuer and/or proving in any winding-up or in any administration of the Issuer and/or claiming in the liquidation of the Issuer. Any cancellation or non-payment of interest shall not constitute a default or event of default on the part of the Issuer for any purpose.

Variation or substitution of the Notes without Noteholder consent

Subject as provided in Condition 8 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 1 Notes (i) in the event of certain changes in the tax treatment of the Notes or payments thereunder due to a change in applicable law or regulation or the official interpretation thereof, and (ii) following the occurrence of (or there will occur within six months) a Capital Disqualification Event, or, following the occurrence of a Ratings Methodology Event, the Issuer may elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Notes.

Notes may be subject to conversion into Ordinary Shares

Following the occurrence of a Conversion Trigger Event and upon Conversion, the Notes will be converted into Ordinary Shares on the Conversion Date. Once the Conversion Shares have been issued and delivered to the Conversion Shares Depository, all of the Issuer's obligations under the Notes (including any payment obligation in respect of principal and/or accrued interest) shall be irrevocably discharged and satisfied. As a result, Noteholders may lose all or part of the value of their investment in the Notes as, following Conversion, they will receive only (i) the Conversion Shares and/or (ii) (if the Issuer elects that a Conversion Shares Offer be made) the Conversion Shares Offer Consideration. Although the market value of any Conversion Shares received by Noteholders may increase in value over time, the Conversion Price at the time the Conversion Shares are issued may not reflect the market value of the Ordinary Shares.

Any such Conversion shall be irrevocable and Noteholders shall not be entitled to any compensation in the event that the solvency position of the Issuer improves following Conversion (including if the Conversion Trigger Event has ceased to continue). Furthermore, the sole remedy available to Noteholders in the event that the Issuer fails to delivery Conversion Shares to the Conversion Shares Depository on or after the Conversion Trigger Event will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depository and to participate in the liquidation proceeds of the Issuer as if the Conversion Shares had been issued. Once the Conversion Shares to be delivered on Conversion have been issued and delivered to the Conversion Shares Depository, the only claims Noteholders will have will be against the Conversion Shares Depository for delivery of Conversion Shares or Conversion Shares Offer Consideration, as applicable.

The occurrence of the Conversion Trigger Event may depend on factors outside of the Issuer's control

A Conversion Trigger Event shall occur if the Issuer determines at any time (acting reasonably and after consultation with the Relevant Regulator) that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement, or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

The occurrence of a Conversion Trigger Event and, therefore, Conversion is to some extent unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control, including actions that the Issuer is required to take at the direction of the Relevant

Regulator and regulatory changes. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Any indication that the Issuer or the Group may be at risk of failing to meet its Solvency Capital Requirement or Minimum Capital Requirement may have an adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities. In addition, the risk of Conversion could drive down the price of the Ordinary Shares and have a material adverse effect on the market value of any Conversion Shares received upon Conversion.

Noteholders must submit a Conversion Shares Settlement Notice to receive delivery of Conversion Shares or Conversion Shares Offer Consideration following Conversion

In order to obtain delivery of the relevant Conversion Shares or the Conversion Shares Offer Consideration, as applicable, following a Conversion of the Notes, the relevant Noteholder must deliver, *inter alia*, a duly completed Conversion Shares Settlement Notice to the Conversion Shares Depository, which must contain specified information. Any Noteholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares or such Conversion Shares Offer Consideration, as applicable. The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Noteholder failing to submit, *inter alia*, a valid Conversion Shares Settlement Notice, on a timely basis or at all.

The Notes will remain in existence following Conversion for a period with Noteholders having limited rights

Following Conversion, the Notes will remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing each Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository. All obligations of the Issuer under the Notes shall be irrevocably released in consideration of the Issuer's issuance and delivery of the Conversion Shares to the Conversion Shares Depository on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Notes shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date).

Receipt by the Conversion Shares Depository of the Conversion Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Notes and a Noteholder shall, with effect on and from the Conversion Date, only have recourse to the Conversion Shares Depository for the delivery to it of the relevant Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such Noteholder is entitled. The Issuer shall not have any liability for the performance of the obligations of the Conversion Shares Depository. There may, therefore, be a period following Conversion during which the Noteholders remain in possession of their Notes but are owed no obligations thereunder by the Issuer.

There may be a delay in Noteholders being able to transfer any Conversion Shares following Conversion

Although the Noteholders will become beneficial owners of the Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depository and the Conversion Shares will be registered in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Notes), no Noteholder will be able to sell or otherwise transfer any Conversion Shares until such time as they are finally delivered to such Noteholder and registered in its name.

Noteholders are subject to all changes made with respect to Conversion Shares prior to the Conversion Date

Noteholders will be unable to exercise voting rights and other rights related to any Conversion Shares until such Conversion Shares have been issued and delivered to the Conversion Shares Depository following the Conversion Date and subsequently delivered to the Noteholders, and such Noteholder has been registered in the Issuer's share register as a shareholder in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer. Prior to such registration, Noteholders will be subject to all changes made with respect to the Conversion Shares but will not be entitled to any of the rights of a shareholder.

Noteholders are particularly exposed to changes in the market price of Ordinary Shares

Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Prospective investors in the Notes may look to sell Ordinary Shares in anticipation of taking a position in, or during the term of, the Notes. This could drive down the price of the Ordinary Shares. Since the Notes will (subject to election by the Issuer that a Conversion Shares Offer be made) mandatorily convert into Conversion Shares upon a Conversion Trigger Event, the price of the Ordinary Shares may be more volatile if a Conversion Trigger Event appears likely to occur.

Noteholders may be subject to taxes following Conversion

The Issuer will not pay any taxes, capital, stamp, issue and registration or transfer taxes or duties arising upon Conversion or that may arise as a consequence of the issue and delivery of Conversion Shares to the Conversion Shares Depository. Noteholders must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising upon Conversion (other than on the transfer and delivery of any Conversion Shares to a purchaser in any Conversion Shares Offer which in each case shall be payable by the relevant purchaser of the Conversion Shares) and such Noteholders must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of its Notes or interest therein.

Noteholders may be obliged to make a takeover bid following the Conversion Trigger

Upon the occurrence of the Conversion Trigger Event, Noteholders receiving Conversion Shares from the Conversion Shares Depository may have to make a takeover bid addressed to the shareholders of the Issuer pursuant to the rules of The City Code on Takeovers and Mergers

implementing the Takeovers Directive (2004/25/EC) by means of Part 28 of the United Kingdom Companies Act 2006 (the "**Companies Act**") if any Noteholder's aggregate holding in the Issuer exceed 30 per cent. of the voting rights in the Issuer as a result of the Conversion of the Notes into Conversion Shares.

Changes to Solvency II may increase the risk of the occurrence of a Conversion Trigger Event, cancellation of Interest Payments or the occurrence of a Capital Disqualification Event

Solvency II requirements adopted in the UK, whether as a result of further changes to Solvency II or changes to the way in which the PRA interprets and applies these requirements to the UK insurance industry, may change. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Group's Solvency Capital Requirement, and such changes may make the Group's regulatory capital requirements more onerous. Such changes that may occur in the application of Solvency II in the UK subsequent to the date of these Listing Particulars and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Group's Solvency Capital Requirement and thus increase the risk of cancellation of Interest Payments, the occurrence of a Capital Disqualification Event and subsequent redemption of the Notes by the Issuer, or a Conversion Trigger Event occurring, which will lead to a Conversion, as a result of which a Noteholder could lose all or part of the value of its investment in the Notes.

Noteholders may be subject to disclosure obligations and/or may need approval by the Relevant Regulator

As the Notes are mandatorily convertible into Conversion Shares following a Conversion Trigger Event, an investment in the Notes may result in Noteholders, following such Conversion, having to comply with certain disclosure and/or approval requirements pursuant to laws and regulations applicable in the United Kingdom. For example, pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches or crosses 3 per cent. and every percentage point thereafter.

Furthermore, as the Conversion Shares are of an ultimate parent undertaking of a number of regulated entities, under the laws of the United Kingdom and other jurisdictions, ownership of an interest in the Conversion Shares to be delivered following Conversion above a certain level may require the Noteholder to obtain regulatory approval or subject the Noteholder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance by Noteholders of substantial fines and/or suspension of voting rights associated with the Ordinary Shares. Any potential investor should consult its financial, legal and other professional advisers as to the terms of the Notes and the potential consequences for such potential investor if a Conversion Trigger Event were to occur and such potential investor received Conversion Shares. In particular, each potential investor should satisfy themselves, both at the time of investing in the Notes and for so long as such investor remains a Noteholder, that the maximum number of Conversion Shares that it could receive following Conversion, when aggregated with its other

relevant holdings of Ordinary Shares, would not give rise to any of the consequences described above, or any other legal or regulatory implications.

Noteholders may receive Conversion Shares Consideration instead of Ordinary Shares upon Conversion

The Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary upon the occurrence of the Conversion Trigger Event. If the Issuer elects that a Conversion Shares Offer be conducted, the Conversion Shares Depositary (or an agent on its behalf) will make an offer of all or some of the Conversion Shares to all or some of the Issuer's Shareholders. In this case Noteholders may not ultimately receive Conversion Shares.

Subject to the provisions of Condition 7 (*Conversion*), if all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders will be entitled to receive, in respect of each Note and as determined by the Issuer, the pro rata share of the cash proceeds of the sale of the Conversion Shares attributable to such Note (less the pro rata share of any foreign exchange transaction costs). If not all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders shall be entitled to receive, in respect of each Note and as determined by the Issuer, (i) the pro rata share of the cash proceeds from the sale of the Conversion Shares attributable to such Note (less the pro rata share of any foreign exchange transaction costs) together with (ii) the pro rata share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares.

No interest or other compensation is payable in respect of the period from the Conversion Date to the date of delivery of the Conversion Shares or the cash proceeds from the sale of the Conversion Shares in the circumstances described above.

Notice of the results of any Conversion Shares Offer will be provided to Noteholders only at the end of the Conversion Shares Offer Period. Accordingly, Noteholders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

In addition, as the Conversion Shares are denominated in a different currency from the currency of the Notes, fluctuations in exchange rates could affect the realisable value of the Conversion Shares to be issued for the Notes following a Conversion Trigger Event (and the cash component of any Conversion Shares Offer Consideration).

Notes may be convertible into shares in an entity other than the Issuer where a Qualifying Change of Control occurs, or may be written-down to zero where a Non-Qualifying Change of Control occurs

If a Qualifying Change of Control occurs, the Notes will, following Conversion, become convertible into Relevant Shares of the Acquiror, as described in Condition 7.13 (*Change in Terms on Change of Control*). The Issuer can provide no assurances as to the nature of any such Acquiror or the risks associated with becoming an actual or potential shareholder therein. A Qualifying Change of Control may, therefore, have an adverse effect on the value of the Notes.

If a Non-Qualifying Change of Control occurs then the Notes shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger Event may occur subsequently but, instead, upon the occurrence of a Conversion Trigger Event subsequent to a Non-Qualifying Change of Control the full principal amount outstanding of each Note will automatically be written down to zero, each Note will be cancelled and each Note will be de-listed from the Official List and will no longer be traded on the GEM. A Non-Qualifying Change of Control may therefore have an adverse effect on the value of the Notes.

Conversion Price is fixed at the time of issue of the Notes

Subject to certain limited anti-dilution provisions set out in Condition 7.8 (*Adjustment of Conversion Price*), the Conversion Price is fixed at the time of issue of the Notes. The Conversion Trigger Event is linked to a deterioration in the regulatory solvency position of the Issuer and, therefore, its occurrence will likely be accompanied and preceded by a deterioration in the market price of the Ordinary Shares. Therefore, if a Conversion Trigger Event were to occur, investors would receive Conversion Shares at a time when the market price of the Ordinary Shares is diminished. In addition, there may be a delay in a Noteholder receiving its Conversion Shares following the Conversion Trigger Event, during which time the market price of the Ordinary Shares may further decline. As a result, the realisable value of the Conversion Shares may be below the Conversion Price.

At the time at which the Conversion Shares are issued following Conversion, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price. Although the market value of such Conversion Shares may increase over time, they may never be equal to the principal amount of the Notes converted.

Noteholders have limited anti-dilution protection

On the Conversion Date, the number of Conversion Shares in respect of each Note to be delivered will be determined by dividing the principal amount outstanding of such Note by the Conversion Price prevailing on such date. Fractions of Conversion Shares will not be delivered to the Conversion Shares Depositary or to Noteholders upon a Conversion and no cash payment will be made in lieu thereof.

In summary, the Conversion Price will be adjusted in accordance with Condition 7.8 (*Adjustment of Conversion Price*) in the event that there is a (i) consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares which alters the number of Ordinary Shares in issue, (ii) an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, (iii) payment of an Extraordinary Dividend or (iv) an issue of Ordinary Shares Shareholders as a class by way of rights in certain circumstances. Any New Conversion Price following a Qualifying Change of Control will be similarly adjusted. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of other convertible securities. As a result, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Notes.

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that, subject to the satisfaction of the Regulatory Clearance Condition, the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed in the circumstances described in Condition 15 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer may issue, which securities rank senior to, or *pari passu*, the Notes. The issue of any such securities may reduce the amount recoverable by Noteholders on a winding-up of the Issuer and/or may increase the likelihood of a cancellation of interest payments under the Notes. Accordingly, in the winding-up of the Issuer, after payment of the claims of senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to Noteholders.

No restriction on dividends

The Conditions do not contain any restriction on the ability of the Issuer to pay dividends on its Ordinary Shares. This could decrease the profits that are available for distribution and therefore increase the likelihood of a deferral of payments of interest.

Change of law

The Conditions are based on English law in effect as at the date of issue of the 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 Notes.

Risks related to the market generally***Absence of public markets for the Notes***

The Notes constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Notes. Although application has been made for the Notes to be admitted to the Official List and to trading on the GEM, there can be no assurance that an active public market for the Notes will develop and, if such a market were to develop, the Joint Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

See "*The market value of the Notes may be influenced by factors beyond the Issuer's control*" below.

Exchange rate risks and exchange controls

Payments of principal and interest on the Notes will be made in Danish Krone, as will any Conversion Shares Offer Consideration paid following a Conversion Trigger Event. 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 Danish Krone. These include the risk that exchange rates may significantly change (including changes due to devaluation of Danish Krone 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 Danish Krone 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. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes bear interest at the Interest Rate determined periodically in respect of each Interest Payment Date. An investment in the Notes during that time involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

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

Any rating assigned to the Issuer and/or the Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. The credit rating agencies may also revise the ratings methodologies applicable to issuers within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting the Issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to the Issuer and/or its securities, which in turn could reduce the liquidity or market value of the Notes.

The market value of the Notes may be influenced by factors beyond the Issuer's control

Many factors, most of which are beyond the Issuer's control, will influence the market value of the Notes and the price, if any, at which securities dealers may be willing to purchase or sell the Notes in the secondary market. Such factors include any credit ratings assigned to the Issuer and the Notes (and any subsequent downgrading thereof), the creditworthiness of the Issuer and in particular the Issuer and the Group's compliance with the Solvency Capital Requirement and the Minimum Capital Requirement, supply and demand for the Notes, the Interest Rate applicable to the Notes from time to time, the trading price of the Ordinary Shares, exchange rates and macro-

economic, political, regulatory or judicial events which affect the Issuer or the markets in which it operates.

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) the Notes and any Conversion Shares which may be delivered upon conversion of the Notes are legal investments for it, (ii) the Notes and any Conversion Shares which may be delivered upon conversion of the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes and any Conversion Shares which may be delivered upon conversion of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes and any Conversion Shares which may be delivered upon conversion of the Notes under any applicable risk-based capital or similar rules.

Investors must rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Certificate upon issue. The Global Certificate will be registered in the name of a nominee for the Common Depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg and will receive and provide any notices only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the registered holder as nominee for the Common Depositary for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

DOCUMENTS INCORPORATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the following documents:

- (A) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2014, together with the audit report thereon, as set out on pages 180-136 and 151-207 of the Issuer's Annual Report and Accounts 2014 (the "**Issuer's 2014 Annual Financial Statements**"); and
- (B) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2015, together with the audit report thereon, as set out on pages 99-115 and 128-172 of the Issuer's Annual Report and Accounts 2015 (the "**Issuer's 2015 Annual Financial Statements**"); and
- (C) the unaudited consolidated financial statements of the Issuer for the financial year ended 31 December 2016 as set out on pages 44-81 of the Issuer's 2016 Preliminary Results Announcement (the "**Issuer's 2016 Preliminary Annual Financial Statements**" and, together with the Issuer's 2014 Annual Financial Statements and the Issuer's 2015 Annual Financial Statements, the "**Issuer's Annual Financial Statements**"),

all of which have been previously published or are published simultaneously with these Listing Particulars and which have been approved by the Irish Stock Exchange or filed with it. Such documents shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars. Those parts of the documents incorporated by reference in these Listing Particulars which are not specifically incorporated by reference in these Listing Particulars are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in these Listing Particulars. Any documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars.

Copies of documents incorporated by reference in these Listing Particulars may be obtained (without charge) from www.rsagroup.com/investors/.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes (as defined below) that, save for the text in italics, shall be applicable to the Certificates (as defined below) in definitive form (if any) issued in exchange for the Global Certificate representing the Notes. The full text of these terms and conditions shall be endorsed on the Certificates relating to such Notes. Provisions in italics do not form part of the Conditions (as defined below).

The DKK650,000,000 Floating Rate Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**") of RSA Insurance Group plc (the "**Issuer**") are constituted by a trust deed dated 27 March 2017 (as modified and/or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Certificates referred to below. An agency agreement dated 27 March 2017 (as modified and/or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, Citigroup Global Markets Deutschland AG as registrar, Citibank, N.A., London Branch as principal paying and conversion agent and as transfer agent, Citibank, N.A., London Branch as interest calculation agent and the other paying and conversion agents named in it. The principal paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents and the interest calculation agent for the time being (if any) are referred to below respectively as the "**Principal Paying and Conversion Agent**", the "**Paying and Conversion Agents**" (which expression shall include the Principal Paying and Conversion Agent), the "**Registrar**", the "**Transfer Agent**" and the "**Interest Calculation Agent**". A conversion calculation agency agreement dated 27 March 2017 (as modified from time to time, the "**Conversion Calculation Agency Agreement**") has been entered into in relation to the Notes between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent (the "**Conversion Calculation Agent**" which expression shall include any successor as conversion calculation agent).

Copies of the Trust Deed, the Agency Agreement and Conversion Calculation Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified offices of the Paying and Conversion Agents and the Transfer Agent.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of each of the provisions of the Agency Agreement applicable to them.

The owners shown in the records of each of Euroclear Bank S.A./N.V. and Clearstream Banking, S.A. of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of each of the provisions of the Agency Agreement applicable to them.

Capitalised terms and expressions used in these Conditions but not otherwise defined herein shall, unless the context requires otherwise, have the meanings given to them in the Trust Deed.

1. Form, Denomination and Title

1.1 Form and Denomination

The Notes are issued in registered form in amounts of DKK2,000,000 and integral multiples of DKK1,000,000 in excess thereof. A note certificate (each a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar (the "**Register**").

1.2 Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) 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 or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the Register.

2. Transfers of Notes and Issue of Certificates

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Transfer Agent.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of Notes will, within five (5) Business Days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the balance of Notes not so transferred will, within five (5) Business Days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the Noteholder not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of any Notes will be effected without charge by or on behalf of the Issuer or the Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or the Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed periods

No Noteholder may require the transfer of a Note to be registered:

- (A) during the period of fifteen (15) days ending on the due date for any payment of principal or interest on that Note; or
- (B) at any time after the second Business Day following the giving of a Conversion Trigger Notice by the Issuer.

2.5 Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. Status of the Notes

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated as described in Condition 4 (*Subordination*).

4. Subordination

4.1 Solvency Condition

Other than where Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*) or Condition 4.3 (*Winding-up on or after a Conversion Trigger Event*) applies, all payments in respect of or arising from (including any damages for breach of any obligations under) the Notes shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable by the Issuer in respect of or arising from (including any damages for breach of any obligations under) the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

For the purposes of this Condition 4.1, the Issuer will be solvent if:

- (A) it is able to pay its debts owed to Senior Creditors as they fall due; and
- (B) its Assets exceed its Liabilities.

A certificate as to solvency of the Issuer signed by two (2) Directors shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

Any payment of interest that would have been due but for the operation of this Condition 4.1 shall be cancelled pursuant to Condition 6.2 (*Mandatory Cancellation of Interest Payments*).

4.2 Winding-up prior to a Conversion Trigger Event

If at any time prior to the date on which a Conversion Trigger Event occurs:

- (A) an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (other than an Approved Winding-up); or
- (B) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute, a dividend,

(the events in (A) and (B) each being an "**Issuer Winding-up**") there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up of the Issuer or the Issuer's entry into administration and thereafter, the holder of that Note was the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**"):

- (i) having a preferential right to a return of assets in such winding-up or administration to, and so ranking ahead of, the holders of the Ordinary Shares and shares of any other class which may be issued or deemed to be in issue for the time being in the capital of the Issuer (other than shares of any class referred to in paragraphs (ii) and (iii) below);
- (ii) having an equal right to a return of assets in such winding-up or administration to, and so ranking *pari passu* with, the holders of securities of the Issuer which, by their terms, rank or are expressed to rank *pari passu* with the Notes in a winding-up or other return of capital (including, without limitation, shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank *pari passu* with the Notional Preference Shares in a winding-up or other return of capital); and
- (iii) ranking behind the claims of Senior Creditors, the holders of the Existing Preference Shares (if any) and the holders of shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank ahead of the Notional Preference Shares in a winding-up or other return of capital,

on the assumption that the holder of each such Notional Preference Share was entitled (to the exclusion of all other rights and privileges) to receive, in respect of each such Notional Preference Share, as a return of capital in such winding-up or administration an amount equal to the principal amount of the relevant Note then outstanding together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Note, including any accrued but

unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations, whether or not the conditions referred to in Condition 4.1 (*Solvency Condition*) are satisfied on the date upon which the same would otherwise be due and payable.

4.3 Winding-up on or after a Conversion Trigger Event

If, at any time on or after the date on which a Conversion Trigger Event occurs, an Issuer Winding-up occurs but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depository on Conversion in accordance with Condition 7 have not been so delivered, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up of the Issuer or the Issuer's entry into administration and thereafter, the holder of that Note was the holder of such number of Ordinary Shares as it would have been entitled to receive following Conversion in accordance with Condition 7 (*Conversion*) (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 7.5 (*Conversion Shares Offer*)), whether or not the conditions referred to in Condition 4.1 (*Solvency Condition*) are satisfied on the date upon which the same would otherwise be due and payable.

4.4 Set-off and counterclaim

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

4.5 Trustee

The provisions of this Condition 4 apply only to the principal, interest and other amounts payable in respect of or arising from (including any damages for breach of any obligations under) the Notes and nothing in this Condition 4 or in Condition 7 (*Conversion*) or Condition 12 (*Non-payment when due*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 4.1 (*Solvency Condition*), Condition 6 (*Interest Cancellation*), Condition 8 (*Redemption, Substitution, Variation and Purchase*),

Conversion pursuant to Condition 7 (*Conversion*) or cancellation of the Notes or write down of any claims in respect thereof following the occurrence of a Non-Qualifying Change of Control pursuant to paragraph (D) of Condition 7.13 (*Change in Terms on Change of Control*). Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with the foregoing.

5. Interest

5.1 Interest Rate

(A) The interest rate in respect of the Notes for each Interest Period (the "**Interest Rate**") shall be the aggregate of:

- (i) the Screen Rate; and
- (ii) the Margin.

If the Screen Rate is unavailable, the Interest Calculation Agent will request each of the Reference Banks to provide the Interest Calculation Agent with the rate at which deposits in DKK are offered by it to prime banks in the Danish interbank market for three months at approximately 11.00 a.m. (Copenhagen time) on the second Business Day prior to the start of each Interest Period and for a Representative Amount. If at least two of the Reference Banks provide such rates, the Interest Rate shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Interest Calculation Agent of such rates, plus the Margin. If fewer than two rates are provided as requested, the Interest Rate for that Interest Period will be the arithmetic mean of the rates quoted by major banks in Denmark selected by the Interest Calculation Agent, at approximately 11.00 a.m. (Copenhagen time) on the first day of such Interest Period for loans in DKK to leading Danish banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin. If the Interest Rate cannot be determined in accordance with the above provisions, the Interest Rate shall be the Interest Rate applicable to the preceding Interest Period, all as determined by the Interest Calculation Agent.

(B) Each Note bears interest on its principal amount outstanding at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Subject to Condition 4.1 (*Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 7 (*Conversion*), interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 5.

Interest in respect of the Notes shall be calculated per DKK1,000,000 in principal amount outstanding of the Notes (the "**Calculation Amount**").

- (C) In respect of each Interest Period, the amount of interest payable per Calculation Amount shall be equal to the product of the Calculation Amount and the Interest Rate and the Day Count Fraction, rounding the resulting figure to the nearest øre (half an øre being rounded upwards).

In these Conditions, "**Day Count Fraction**" means, in respect of any relevant period, the actual number of days in the period from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by 360.

5.2 Interest Accrual

Without prejudice to Condition 4.1 (*Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 7 (*Conversion*), interest shall cease to accrue on each Note from (and including) the date of redemption thereof pursuant to Condition 8 (*Redemption, Substitution, Variation and Purchase*) unless payment is improperly withheld or refused, in which event interest shall continue to accrue (in each case, both before and after judgment) as provided in the Trust Deed.

5.3 Determination of the Interest Rate

Subject as provided in Condition 5.1, the Interest Calculation Agent will, as soon as practicable after 11:00 a.m. (Copenhagen time) on the second Business Day prior to the start of each Interest Period, determine the applicable Interest Rate in respect of such Interest Period and shall promptly notify the Issuer, the Principal Paying and Conversion Agent and the Trustee thereof.

5.4 Publication of the Interest Rate

Once the Issuer, the Principal Paying and Conversion Agent and the Trustee have been notified of an applicable Interest Rate by the Interest Calculation Agent in accordance with Condition 5.3 (*Determination of the Interest Rate*), the Issuer shall cause notice of such Interest Rate, and the amount of interest which will, subject to Condition 4.1 (*Solvency Condition*), Condition 6 (*Interest Cancellation*) and Condition 7 (*Conversion*), be payable per Calculation Amount on the Interest Payment Date in respect of which such Interest Rate applies, to be given to the Noteholders in accordance with Condition 14 (*Notices*) as soon as reasonably practicable after the determination of such Interest Rate in accordance with Condition 5.3 (*Determination of Interest Rate*) and in any event no later than the commencement of the relevant Interest Period.

5.5 Determinations or calculation by Trustee

The Trustee (or an agent appointed by it) shall, at the expense of the Issuer, if the Interest Calculation Agent does not at any relevant time and for any reason determine any applicable Interest Rate in accordance with this Condition 5, determine that Interest Rate to be such rate as, in its absolute discretion (having such regard as it deems fit to the procedures prescribed in this Condition 5), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Interest Calculation Agent.

5.6 Interest Calculation Agent

For so long as any of the Notes remains outstanding, the Issuer shall appoint and maintain an Interest Calculation Agent. The Issuer may, with the prior written approval of the Trustee, from time to time replace the Interest Calculation Agent with another leading financial institution in London or Copenhagen. If the Interest Calculation Agent is unable or unwilling to continue to act as the Interest Calculation Agent, the Issuer shall forthwith appoint another leading financial institution in London or Copenhagen approved in writing by the Trustee to act as such in its place. The Interest Calculation Agent may not resign its duties or be removed without a successor having been appointed.

5.7 Determinations of Interest Calculation Agent or Trustee binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Interest Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Issuer, the Interest Calculation Agent, the Trustee, the Paying and Conversion Agents, the Conversion Calculation Agent and all Noteholders and (in the absence of wilful default and gross negligence) no liability to the Noteholders or the Issuer shall attach to the Interest Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

6. Interest Cancellation

6.1 Interest Payments Discretionary

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer and is subject to the provisions of Condition 4.1 (*Solvency Condition*), Condition 6.2 (*Mandatory Cancellation of Interest Payments*) and Condition 7.7 (*Accrued Interest on Conversion*). Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be payable on any Interest Payment Date.

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 4.1 (*Solvency Condition*), the cancellation of such Interest Payment in accordance with Condition 6.2 (*Mandatory Cancellation of Interest Payments*) or Condition 7.7 (*Accrued Interest on Conversion*) or, as appropriate, the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 6.1, and accordingly such interest shall not in any such case be due and payable.

6.2 Mandatory Cancellation of Interest Payments

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 6.3 (*Waiver of Cancellation of Interest Payments by*

Relevant Regulator), the Issuer shall cancel any Interest Payment on the Notes in accordance with this Condition 6 if:

- (A) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment;
- (B) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment;
- (C) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment;
- (D) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (E) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) to cancel the relevant Interest Payment,

each of the events or circumstances described in paragraphs (A) to (E) (inclusive) above being a "**Mandatory Interest Cancellation Event**".

A certificate signed by two (2) Directors confirming that: (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made; or (ii) a Mandatory Interest Cancellation Event has ceased and is no longer continuing and/or payment of interest on the Notes would not result in a Mandatory Interest Cancellation Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

6.3 Waiver of Cancellation of Interest Payments by Relevant Regulator

Notwithstanding Condition 6.2 (*Mandatory Cancellation of Interest Payments*), the Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest

Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made (to the extent permitted by the Relevant Rules) where:

- (A) the Mandatory Interest Cancellation Event is of the type described in paragraph (B) of Condition 6.2 (*Mandatory Cancellation of Interest Payments*) only;
- (B) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment;
- (C) the Relevant Regulator has confirmed to the Issuer that it is satisfied that payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Group; and
- (D) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

A certificate signed by two (2) Directors confirming that the conditions set out in this Condition 6.3 are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

6.4 Effect of Cancellation of Interest Payments

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 6 or which is otherwise not due in accordance with Condition 4.1 (*Solvency Condition*) or Condition 7.7 (*Accrued Interest on Conversion*) shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.

6.5 Notice of Cancellation of Interest Payments

If practicable, the Issuer shall provide notice of any cancellation of any Interest Payment pursuant to Condition 6.1 (*Interest Payments Discretionary*) or Condition 6.2 (*Mandatory Cancellation of Interest Payments*) to Noteholders in accordance with Condition 14 (*Notices*), and to the Trustee in a certificate signed by two (2) Directors, and the Principal Paying and Conversion Agent in writing, at least five (5) Business Days prior to the relevant Interest Payment Date. However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment.

7. Conversion

7.1 Notes not convertible at the option of Noteholders or the Trustee

The Notes are not convertible at the option of Noteholders or the Trustee at any time.

7.2 Conversion upon Conversion Trigger Event

- (A) If a Conversion Trigger Event occurs, the Issuer's obligation to repay the principal amount outstanding of each Note shall, subject to and as provided in this Condition 7 and without any further action required on the part of the Issuer or the Trustee, be irrevocably discharged and substituted for an undertaking on the part of the Issuer to issue and deliver Ordinary Shares, credited as fully paid, in the manner and in the circumstances described below to the Conversion Shares Depository, to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7.5 (*Conversion Shares Offer*)) for the Noteholders, as provided below.
- (B) On the Share Delivery Date the Issuer shall issue and deliver to the Conversion Shares Depository a number of Ordinary Shares in respect of each Note determined by dividing the principal amount outstanding of such Note by the Conversion Price prevailing on the Share Delivery Date (subject to Condition 7.14 (*Fractions*)).

The "**Conversion Price**" per Ordinary Share in respect of the Notes is DKK35.479, subject to adjustment in the circumstances described in Condition 7.8 (*Adjustment of Conversion Price*). *This is equivalent to a price of £4.14925 per Ordinary Share translated into DKK at an exchange rate of £1.00 = DKK8.5507 and rounded to three (3) decimal places.*

- (C) Upon the issue and delivery of the Conversion Shares to the Conversion Shares Depository on the Share Delivery Date, the Issuer shall be deemed to have redeemed the Notes on the Conversion Date in an amount equal to their principal amount outstanding and the Noteholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the Conversion Shares issued and delivered to the Conversion Shares Depository on the Share Delivery Date.
- (D) Once a Note has been converted into Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares back into Notes.
- (E) Immediately upon the issue and delivery by the Issuer of the Conversion Shares to the Conversion Shares Depository in accordance with these Conditions, the Issuer's obligations under the Notes shall irrevocably be discharged in full and no Noteholder will have any rights against the Issuer with respect to such obligations. Provided that the Issuer so issues and delivers the Conversion Shares, from (and including) the Share Delivery Date Noteholders shall have recourse only to the Conversion Shares Depository for the delivery to them of such Conversion Shares or, subject to and as provided in Condition 7.5 (*Conversion Shares Offer*), the Conversion Shares Offer Consideration.
- (F) Subject to Condition 4.3 (*Winding-up on or after a Conversion Trigger Event*), if the Issuer fails to issue and deliver the Conversion Shares to the Conversion Shares Depository on the Share Delivery Date, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares so issued and delivered.

7.3 Notification of the occurrence of a Conversion Trigger Event

- (A) Whether the Conversion Trigger Event has occurred at any time shall be determined by the Issuer, and such determination shall be binding on the Trustee and the Noteholders. Following the occurrence of a Conversion Trigger Event, the Issuer shall promptly notify the Relevant Regulator and shall deliver to the Trustee a certificate signed by two (2) Directors confirming that a Conversion Trigger Event has occurred. The certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.
- (B) Following the occurrence of a Conversion Trigger Event, but only after delivery to the Trustee of the certificate referred to in paragraph (A) of this Condition 7.3, the Issuer shall promptly (and, in any event, within such period as the Relevant Regulator may require) give notice thereof to the Noteholders (a "**Conversion Trigger Notice**") in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal Paying and Conversion Agent in writing, stating:
- (i) details of the Conversion Trigger Event;
 - (ii) the date on which the Conversion Trigger Event occurred (the "**Conversion Date**");
 - (iii) the Conversion Price prevailing on the Conversion Date (which shall remain subject to any subsequent adjustment pursuant to Condition 7.8 (*Adjustment of Conversion Price*) up to the Share Delivery Date);
 - (iv) the Share Delivery Date or expected Share Delivery Date;
 - (v) the Notice Cut-off Date and the Final Cancellation Date;
 - (vi) details of the Conversion Shares Depository;
 - (vii) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 14 (*Notices*) within ten (10) Business Days following the Conversion Date notifying Noteholders of its decision as to such election; and
 - (viii) that the Notes shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the relevant Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository, and that (subject to Condition 2.4(B)) the Notes may continue to be transferable until the applicable Settlement Date (or, if earlier, the Final Cancellation Date).

- (C) Failure by the Issuer to deliver a certificate to the Trustee or to give notice to Noteholders and to the Trustee and the Principal Paying and Conversion Agent of the occurrence of a Conversion Trigger Event pursuant to this Condition 7.3 shall in no way invalidate or otherwise affect the automatic Conversion of the Notes pursuant to Condition 7.2 (*Conversion upon Conversion Trigger Event*).

7.4 Conversion Shares Depositary

- (A) The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Conversion Trigger Event.
- (B) If the Issuer is unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and delivery of the Conversion Shares as it shall consider reasonable in the circumstances, which may include issuing and delivering the Conversion Shares to another independent nominee to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7.5 (*Conversion Shares Offer*)) for the Noteholders or to the Noteholders directly. The issuance and delivery of the Conversion Shares pursuant to such other arrangements shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes as though the relevant Conversion Shares had been issued and delivered to the Conversion Shares Depositary and, in which case, where the context so admits, references in these Conditions to the issue and delivery of Conversion Shares to the Conversion Shares Depositary shall be construed as though they were references to such other arrangements and apply *mutatis mutandis*.
- (C) The Conversion Shares shall (except where the Issuer has been unable to appoint a Conversion Shares Depositary as contemplated in paragraph (B) of this Condition 7.4) initially be registered in the name of the Conversion Shares Depositary, which (subject to the provisions of paragraph (B) of this Condition 7.4) shall hold such Conversion Shares on trust for the Noteholders. By virtue of its holding of any Note, each Noteholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depositary.
- (D) For so long as the Conversion Shares are held by the Conversion Shares Depositary, the Noteholders shall be entitled to direct the Conversion Shares Depositary to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer such Conversion Shares unless and until such time as they have been delivered to Noteholders in accordance with Condition 7.6 (*Settlement Procedure*).
- (E) Following the issuance and delivery of the Conversion Shares to the Conversion Shares Depositary on the Share Delivery Date, the Notes shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the purpose only of evidencing the Noteholders' right as aforesaid to

receive the Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, to be delivered by the Conversion Shares Depositary.

7.5 Conversion Shares Offer

- (A) The Issuer shall be entitled to elect, in its sole and absolute discretion, that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Conversion Shares to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Conversion Share to be determined in the Issuer's sole and absolute discretion but which shall be no less than the Conversion Price prevailing on the Share Delivery Date, all in accordance with this Condition 7.5 (the "**Conversion Shares Offer**").
- (B) Not later than the tenth (10th) Business Day following the Conversion Date, the Issuer shall give notice (a "**Conversion Shares Offer Notice**") to the Noteholders in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal Paying and Conversion Agent in writing, stating whether or not it has elected that a Conversion Shares Offer be conducted.
- (C) The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer may not purchase any Conversion Shares for its own account pursuant to a Conversion Shares Offer.
- (D) A Conversion Shares Offer Notice shall specify the period of time for which the Conversion Shares Offer will be open (the "**Conversion Shares Offer Period**"). The Conversion Shares Offer Period shall end no later than forty (40) Business Days after the giving of the Conversion Shares Offer Notice by the Issuer.
- (E) Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Noteholders in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal Paying and Conversion Agent in writing, of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of "Conversion Shares Offer Consideration")) per Calculation Amount. The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Noteholders. In accordance with paragraph (F) of Condition 7.6 (*Settlement Procedure*), the cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Noteholders in Danish Krone irrespective of whether or not the conditions referred to in Condition 4.1 (*Solvency Condition*) are satisfied.
- (F) The Issuer reserves the right, in its sole and absolute discretion, to elect that the Conversion Shares Depositary terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period. If the Issuer makes such election, it will provide at least three (3) Business Days' notice to the Noteholders in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal

Paying and Conversion Agent in writing, and the Conversion Shares Depositary may then, in its sole and absolute discretion, take steps to deliver to Noteholders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.

- (G) By virtue of its holding of any Note, each Noteholder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, such Noteholder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and, notwithstanding that such Conversion Shares are held by the Conversion Shares Depositary on trust for the Noteholders, to the Conversion Shares Depositary using the Conversion Shares to settle any Conversion Shares Offer; (ii) irrevocably consented to the transfer of the interest such Noteholder has in the Conversion Shares to one or more purchasers identified by the Conversion Shares Depositary in connection with the Conversion Shares Offer; (iii) irrevocably agreed that the Issuer and the Conversion Shares Depositary may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Notes; and (iv) irrevocably agreed that none of the Issuer, the Trustee or the Conversion Shares Depositary shall, to the extent permitted by applicable law, incur any liability to the Noteholders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Noteholders' entitlement to, and the subsequent delivery of, any Conversion Shares Offer Consideration).
- (H) Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes and foreign exchange transaction costs referred to in Condition 7.15 (*Taxes and Duties*) and in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. Neither the occurrence of a Conversion Trigger Event nor, following the occurrence of a Conversion Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of Ordinary Shares at or below the Conversion Price.
- (I) The Trustee shall not be responsible for monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depositary in respect thereof. Following Conversion and delivery of the Conversion Shares to the Conversion Shares Depositary, Noteholders must look to the Conversion Shares Depositary for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

7.6 Settlement Procedure

- (A) To obtain delivery from the Conversion Shares Depositary of Conversion Shares or, as applicable, the relevant Conversion Shares Offer Consideration, Noteholders will be required to deliver a Conversion Shares Settlement Notice and the relevant Certificate representing the relevant Note to the Conversion Shares Depositary (or an agent designated for the purpose in the Conversion Shares Trigger Notice) on or before the Notice Cut-off Date.
- (B) If such Conversion Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the specified office of the Conversion Shares Depositary, such delivery shall be deemed for all purposes to have been made or given on the following Business Day.
- (C) If a Noteholder fails to deliver a Conversion Shares Settlement Notice or Certificate on or before the Notice Cut-off Date, or the relevant Conversion Shares Settlement Notice is otherwise determined by the Conversion Shares Depositary to be null and void, then the Conversion Shares Depositary shall continue to hold the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as the case may be, on trust for that Noteholder until a valid Conversion Shares Settlement Notice (and the Certificate representing the relevant Notes) is so delivered. If any such Conversion Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares or any Conversion Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).
- (D) Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions, or whether any evidence of entitlement to Conversion Shares or Conversion Shares Offer Consideration, as applicable, is satisfactory, shall be made by the Conversion Shares Depositary in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholders.
- (E) Subject as otherwise provided herein, the relevant Conversion Shares (or the Conversion Share component of any Conversion Shares Offer Consideration) will be delivered on the applicable Settlement Date by or on behalf of the Conversion

Shares Depository in accordance with the instructions given in the relevant Conversion Shares Settlement Notice.

- (F) Any cash component of any Conversion Shares Offer Consideration shall be paid by the Conversion Shares Depository on the applicable Settlement Date by transfer to a Danish Krone account with a bank in Copenhagen (as may be specified in the relevant Conversion Shares Settlement Notice) in accordance with the instructions contained in the relevant Conversion Shares Settlement Notice.
- (G) If not previously cancelled on the applicable Settlement Date, the Notes shall be cancelled in full on the Final Cancellation Date and any Noteholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares or such Conversion Shares Offer Consideration, as applicable. Neither the Issuer nor the Trustee shall have any liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Noteholder failing to submit a valid Conversion Shares Settlement Notice and the relevant Certificate, on a timely basis or at all.

7.7 Accrued Interest on Conversion

Any interest in respect of an Interest Payment Date which falls on or after the date of a Conversion Trigger Event shall, in accordance with Condition 6 (*Interest Cancellation*), be deemed to have been cancelled upon the occurrence of such Conversion Trigger Event and shall not become due and payable.

7.8 Adjustment of Conversion Price

Upon the happening of any of the events described below, the Conversion Price shall be adjusted by the Conversion Calculation Agent as follows:

- (A) If and whenever there shall be a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares which alters the number of Ordinary Shares in issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date on which such consolidation, reclassification, redesignation or subdivision takes effect by the following fraction:

A/B

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (B) If and whenever the Issuer shall issue any Ordinary Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than: (i) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Dividend which the Shareholders would or could otherwise have elected to receive; (ii) where the Shareholders may elect to receive a Cash Dividend in lieu of such Ordinary Shares; or (iii) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date on which such Ordinary Shares are issued by the following fraction:

$$A/B$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

"Cash Dividend" means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of the share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital.

- (C) If and whenever the Issuer shall pay any Extraordinary Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$(A-B)/A$

where:

- A is the Current Market Price of one (1) Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value (as at the Effective Date) of the aggregate Extraordinary Dividend attributable to one (1) Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Extraordinary Dividend.

Such adjustment shall become effective on the Effective Date.

"Cash Dividend" means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital.

"Effective Date" means, in respect of this paragraph (C) of this Condition 7.8, the first date on which the Ordinary Shares are traded ex-the Extraordinary Dividend on the Relevant Stock Exchange.

"Extraordinary Dividend" means any Cash Dividend that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders as a class or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend.

- (D) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or the Issuer or any of its Subsidiaries or (at the direction or request or pursuant to arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Relevant Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Relevant Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$(A + B)/(A + C)$

- A is the number of Ordinary Shares in issue on the Effective Date;

- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Relevant Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

provided that if, on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this paragraph (D) of this Condition 7.8, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this paragraph (D) of this Condition 7.8, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Condition 7.8 have already resulted or will result in an adjustment to the Conversion Price, or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result:

- (i) such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result; and
- (ii) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate: (a) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once; (b) to ensure that the economic effect of an Extraordinary Dividend is not taken into account more than once; and (c) to reflect a

redenomination of the issued Ordinary Shares for the time being into a new currency.

For the avoidance of doubt, the issue of Ordinary Shares on the Share Delivery Date or upon any conversion or exchange in respect of any other securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

7.9 Determination of Consideration Receivable

For the purpose of any calculation of the consideration receivable or price pursuant to paragraph (D) of Condition 7.8 (*Adjustment of Conversion Price*), the following provisions shall apply:

- (A) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (B) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Relevant Securities shall be deemed to be the consideration or price received or receivable for any such Relevant Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Relevant Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Relevant Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Relevant Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Relevant Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (C) if the consideration or price determined pursuant to paragraph (A) of this Condition 7.9 or paragraph (B) of this Condition 7.9 (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of paragraph (A) of this Condition 7.9) or the relevant date of first public announcement (in the case of paragraph (B) of this Condition 7.9);

- (D) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Relevant Securities or options, warrants or rights, or otherwise in connection therewith; and
- (E) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

7.10 Decision of the Conversion Calculation Agent or an Independent Adviser

Adjustments to the Conversion Price shall be calculated by the Conversion Calculation Agent upon request from the Issuer and/or, to the extent so specified in the Conditions, in good faith by an Independent Adviser. Adjustments to the Conversion Price calculated by the Conversion Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Conversion Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Issuer, the Trustee, the Noteholders, the Interest Calculation Agent, the Paying and Conversion Agents and (in the case of a determination by an Independent Adviser) the Conversion Calculation Agent. Subject to the provisions of the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may consult on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Noteholders, the Interest Calculation Agent or the Paying and Conversion Agents in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

The Conversion Calculation Agent shall act solely upon the request from, and exclusively as agent of, the Issuer. Neither the Conversion Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Notes (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust with, and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith, in accordance with the Conditions as against the Trustee, the Noteholders, the Interest Calculation Agent or the Paying and Conversion Agents.

So long as any Notes remain outstanding, the Issuer will maintain a Conversion Calculation Agent, which may be the Issuer or another person appointed by the Issuer to serve in such capacity.

The Issuer may at any time with the prior written approval of the Trustee, but without prior notice to or consent from the Interest Calculation Agent, the Paying and Conversion Agents or the Noteholders, replace the Conversion Calculation Agent with itself or an independent financial institution or an independent financial adviser with appropriate expertise.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, the Issuer may at its discretion appoint an Independent Adviser and, following consultation between the Issuer and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Trustee and the Noteholders, save in the case of manifest error.

7.11 Share Option Schemes

No adjustment will be made to the Conversion Price where Ordinary Shares or other Relevant Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

7.12 Rounding Down and Notice of Adjustment to the Conversion Price

On any adjustment of the Conversion Price pursuant to these Conditions, if the resultant Conversion Price is not an integral multiple of DKK0.0001, it shall be rounded down to the nearest integral multiple of DKK0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one (1) per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Noteholders promptly after the determination thereof in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal Paying and Conversion Agent in writing.

The Conversion Price shall not in any event be reduced to below the Danish Krone equivalent of the nominal value of an Ordinary Share for the time being (as calculated by the Issuer on the date such adjustment becomes effective). The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value.

7.13 Change in Terms on Change of Control

(A) If a Qualifying Change of Control occurs, the Notes shall, where the Share Delivery Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Share Delivery Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 7.13) at a Conversion Price that shall be the New Conversion Price, and the provisions of this Condition 7 shall apply *mutatis mutandis* to such conversion as though references herein

to the Ordinary Shares comprising the Conversion Shares were instead to the Relevant Shares of the Approved Entity. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with paragraph (B) of Condition 7.2 (*Conversion upon Conversion Trigger Event*) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes (but shall be without prejudice to the rights of the Trustee and the Noteholders against the Approved Entity in connection with its undertaking to deliver Relevant Shares as provided in the definition of "New Conversion Condition" in paragraph (F) of this Condition 7.13). Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Noteholders, to deliver the Relevant Shares to the Conversion Shares Depository as aforesaid. For the avoidance of doubt, the Issuer may elect that a Conversion Shares Offer be made by the Conversion Shares Depository in respect of the Relevant Shares.

- (B) The New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 7 (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to Noteholders of the New Conversion Price and of any such modifications and amendments in accordance with Condition 14 (Notices), and to the Trustee and the Principal Paying and Conversion Agent in writing.
- (C) In the case of a Qualifying Change of Control:
- (i) the Issuer shall, on or prior to the New Conversion Condition Effective Date, enter into such agreements and arrangements, which may include deeds supplemental to the Trust Deed, and such amendments and modifications to the Trust Deed shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall (following the occurrence of a Conversion Trigger Event) be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 7 (as may be so supplemented, amended or modified) at the New Conversion Price; and
 - (ii) the Issuer shall, where the Share Delivery Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 7, as may be supplemented, amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed, and to execute any such deeds supplemental to the Trust Deed, provided that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of: (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction; (ii) changing, increasing or adding to the obligations

or duties of the Trustee; or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes.

- (D) If a Non-Qualifying Change of Control occurs then, with effect from the occurrence of such Non-Qualifying Change of Control and unless the Share Delivery Date shall have occurred prior to such date, the Notes shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger Event may occur subsequently but, instead, upon the occurrence of a Conversion Trigger Event subsequent to a Non-Qualifying Change of Control the full principal amount outstanding of each Note will automatically be written down to zero, each Note will be cancelled, the Noteholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Notes written down pursuant to this Condition and all accrued but unpaid interest and any other amounts payable on each Note will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of a Conversion Trigger Event. For the avoidance of doubt, once the full principal amount outstanding of each Note has been written down, it will not be restored under any circumstances, including where the relevant Conversion Trigger Event has ceased to continue. For the avoidance of doubt, nothing in this paragraph (D) of this Condition 7.13 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof, and the Trustee shall not be liable to any person for acting in accordance with this paragraph (D) of this Condition 7.13.
- (E) Within ten (10) days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Noteholders (a "**Change of Control Notice**") in accordance with Condition 14 (*Notices*).

The Change of Control Notice shall specify:

- (i) the identity of the Acquiror;
- (ii) whether the Change of Control is a Qualifying Change of Control or a Non-Qualifying Change of Control;
- (iii) in the case of a Qualifying Change of Control, the New Conversion Price
- (iv) in the case of a Non-Qualifying Change of Control, that, with effect from the occurrence of the Change of Control and unless a Conversion Trigger Event has occurred prior to the date of such Change of Control, outstanding Notes shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger Event may occur subsequently but that, instead, upon the occurrence of a subsequent Conversion Trigger Event (if any) the full principal amount of each Note will automatically and permanently be written down to zero, each Note will be cancelled, the Noteholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights

against the Issuer with respect to, repayment of the aggregate principal amount of the Notes written down pursuant to this Condition 7.13 and all accrued but unpaid interest and any other amounts payable on each Note will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of Conversion Trigger Event.

(F) As used in this Condition 7.13:

"Acquiror" means the person which, following a Change of Control, controls the Issuer.

"Approved Entity" means a body corporate which, on the occurrence of the Change of Control, has in issue Relevant Shares.

a **"Change of Control"** shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of the Issuer (other than as a result of a Newco Scheme), where **"control"** means: (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of the Issuer; or (b) the right to appoint and/or remove all or the majority of the members of the board of directors of the Issuer, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise.

"Change of Control Notice" shall have the meaning given to such term in paragraph (E) of Condition 7.13 (*Change in Terms on Change of Control*) above.

"EEA Regulated Market" means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The **"New Conversion Condition"** shall be satisfied if by not later than seven (7) days following the occurrence of a Change of Control where the Acquiror is an Approved Entity, the Issuer shall have entered into arrangements to its satisfaction with the Approved Entity pursuant to which the Approved Entity irrevocably undertakes to the Trustee, for the benefit of the Noteholders, to deliver the Relevant Shares to the Conversion Shares Depositary upon a Conversion of the Notes, all as contemplated in paragraph (A) of Condition 7.13 (*Change in Terms on Change of Control*).

"New Conversion Condition Effective Date" means the date with effect from which the New Conversion Condition shall have been satisfied.

"New Conversion Price" means the amount determined by the Conversion Calculation Agent in accordance with the following formula:

$$\text{NCP} = \text{ECP} \times \frac{\text{VWAPRS}}{\text{VWAPOS}}$$

where:

NCP is the New Conversion Price.

ECP is the Conversion Price in effect on the Dealing Day immediately prior to the New Conversion Condition Effective Date.

VWAPRS means the average of the Volume Weighted Average Price of the Relevant Shares (translated, if necessary, into Danish Krone at the Prevailing Rate on the relevant Dealing Day) on each of the 10 Dealing Days ending on the Dealing Day prior to the date the Change of Control shall have occurred (and where references in the definition of "Volume Weighted Average Price" to "Ordinary Shares" shall be construed as a reference to the Relevant Shares and in the definition of "Dealing Day", references to the "Relevant Stock Exchange" shall be to the primary Regulated Market on which the Relevant Shares are then listed, admitted to trading or accepted for dealing).

WVAPOS is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into Danish Krone at the Prevailing Rate on the relevant Dealing Day) on each of the 10 Dealing Days ending on the Dealing Day prior to the date the Change of Control shall have occurred.

"Non-Qualifying Change of Control" means a Change of Control that is not a Qualifying Change of Control.

"Qualifying Change of Control" means a Change of Control where:

- (i) the Acquiror is an Approved Entity; and
- (ii) the New Conversion Condition is satisfied.

"Regulated Market" means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or Notes market in an OECD member state.

"Relevant Shares" means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) which is listed and admitted to trading on a Regulated Market.

7.14 Fractions

Fractions of Ordinary Shares will not be delivered to the Conversion Shares Depositary on the Share Delivery Date nor to Noteholders on the applicable Settlement Date and no cash payment will be made in lieu thereof. However, if one or more Conversion Shares Settlement Notices and relevant Certificates are delivered to the Conversion Shares Depositary such that any Ordinary Shares (or any Ordinary Share component of any

Conversion Shares Offer Consideration, as applicable) to be issued and delivered to a Noteholder on Conversion are to be registered in the same name, the number of Ordinary Shares to be issued and delivered in respect thereof shall be calculated by the Conversion Calculation Agent on the basis of the aggregate principal amount of such Notes to be converted.

7.15 Taxes and Duties

Neither the Issuer nor any member of the Group shall be liable for any taxes or capital, stamp, issue and registration or transfer taxes or duties arising on Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares on Conversion. A Noteholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on Conversion in connection with the issue and delivery of the Conversion Shares whether to the Conversion Shares Depositary on behalf of such Noteholder or otherwise to or for the benefit of such Noteholder in accordance with Condition 7.4(B) and such Noteholder must pay all, if any, taxes or duties arising by reference to any disposal or deemed disposal of such Noteholder's Notes or interest therein. Any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on delivery or transfer of Conversion Shares to a purchaser in any Conversion Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

7.16 Delivery

- (A) Conversion Shares (or the Conversion Share component of any Conversion Shares Offer Consideration) will be delivered to Noteholders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Conversion Shares are not a participating security in CREST, in which case Conversion Shares will be delivered in certificated form. Where any Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) are to be delivered to Noteholders by the Conversion Shares Depositary through CREST, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Shares Settlement Notice, on the applicable Settlement Date. Where any Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) are to be delivered to Noteholders in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Noteholder or as it may direct in the relevant Conversion Shares Settlement Notice (in each case uninsured and at the risk of the relevant recipient) within twenty-eight (28) days following the date of the relevant Conversion Shares Settlement Notice.
- (B) The Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any

time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (iii) to the CREST account of such a person described in (i) or (ii).

7.17 Ordinary Shares

The Conversion Shares issued and delivered on the Share Delivery Date will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Share Delivery Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that any Conversion Shares so issued and delivered will not rank for (or, as the case may be, the relevant Noteholder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the Share Delivery Date.

7.18 Purchase or Redemption of Ordinary Shares

The Issuer or any Subsidiary of the Issuer may, subject to paragraph (C) of Condition 7.5 (*Conversion Shares Offer*) and Condition 8.12 (*Purchases*) exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of Noteholders.

7.19 Covenants

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Relevant Rules from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur), save with the approval of an Extraordinary Resolution:

- (A) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the Share Delivery Date, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (B) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions as are necessary to ensure that the Notes may, following the occurrence of a Conversion Trigger Event, be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions.

The Trustee shall be obliged (at the expense of the Issuer) to concur in effecting such amendments, provided that the Trustee shall not be bound so to concur if to do so would, in the opinion of the Trustee, have the effect of: (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction; (ii) changing, increasing or adding to the obligations or duties of the Trustee; or (iii) removing or amending any protection or indemnity

afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes;

- (C) use all reasonable endeavours to ensure that the Ordinary Shares delivered on the Share Delivery Date shall be admitted to listing and trading on the Relevant Stock Exchange;
- (D) notwithstanding the provisions of Condition 7.5 (*Conversion Shares Offer*), at all times keep available for issue or allotment, free from pre-emptive or other preferential rights, sufficient Ordinary Shares to enable issue of Conversion Shares and delivery of the Conversion Shares on the Share Delivery Date; and
- (E) where these Conditions require or provide for a determination by an Independent Adviser, the Issuer shall use all reasonable endeavours promptly to appoint an Independent Adviser for such purpose.

8. Redemption, Substitution, Variation and Purchase

8.1 No Redemption Date

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase the Notes in accordance with the following provisions of this Condition 8. The Notes are not redeemable at the option of the Noteholders at any time.

8.2 Conditions to Redemption and Purchase

To the extent required pursuant to the Relevant Rules from time to time, and save as otherwise permitted pursuant to Condition 8.3 (*Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by Relevant Regulator*), the Issuer may not redeem or purchase any Notes unless each of the following conditions is satisfied:

- (A) the relevant date of any redemption or purchase of the Notes pursuant to Conditions 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*) or 8.12 (*Purchases*) is after the fifth (5th) anniversary of the Issue Date unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (B) in respect of any redemption or purchase of the Notes occurring after the fifth (5th) anniversary of the Issue Date and before the tenth (10th) anniversary of the Issue Date, the Relevant Regulator has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer including the Issuer's medium-term capital management plan) unless such redemption or purchase is funded

out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

- (C) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (D) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (E) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (F) no Insolvent Insurer Winding-up has occurred and is continuing;
- (G) the Regulatory Clearance Condition is satisfied; and
- (H) any other requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) have been complied with (and shall continue to be complied with following the proposed redemption or purchase),

the conditions set out in paragraphs (A) to (H) (inclusive) above being the "**Redemption and Purchase Conditions**".

If on the proposed date for redemption of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Condition 8.4 (*Suspension of Redemption*).

8.3 Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by Relevant Regulator

Notwithstanding Condition 8.2 (*Conditions to Redemption and Purchase*), the Issuer shall be entitled to redeem the Notes (to the extent permitted by the Relevant Rules) where:

- (A) all Redemption and Purchase Conditions are met other than that described in paragraph (D) of Condition 8.2 (*Conditions to Redemption and Purchase*);
- (B) the Relevant Regulator has exceptionally waived the cancellation of redemption of the Notes;
- (C) all (but not some only) of the Notes are exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes; and

- (D) the Minimum Capital Requirement will be complied with immediately following such redemption, if made.

A certificate signed by two (2) Directors confirming that the conditions set out in this Condition 8.3 are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

8.4 Suspension of Redemption

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent and the Noteholders in accordance with Condition 14 (*Notices*) no later than five (5) Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with this Condition 8.4, provided that if an event occurs less than five (5) Business Days prior to the date set for redemption that results in the Redemption and Purchase Conditions ceasing to be met, the Issuer shall notify the Trustee, the Principal Paying and Conversion Agent and the Noteholders in accordance with Condition 14 (*Notices*) as soon as reasonably practicable following the occurrence of such event.

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Conditions 8.6 (*Redemption at the Option of the Issuer*), 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*) as a result of the operation of Condition 8.2 (*Conditions to Redemption and Purchase*), the Issuer shall redeem such Notes at their principal amount outstanding together with any other accrued and unpaid interest (in each case, to the extent that such amounts have not previously been cancelled pursuant to these Conditions), upon the earlier of:

- (A) the date falling ten (10) Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 8.3 (*Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by Relevant Regulator*) (unless on such tenth (10th) Business Day redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met, in which case the provisions of Condition 8.2 (*Conditions to Redemption and Purchase*) and this paragraph (A) of this Condition 8.4 will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or
- (B) the date on which an Issuer Winding-Up occurs.

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent and the Noteholders in accordance with Condition 14 (*Notices*) no later than five (5) Business Days prior to any such date set for redemption pursuant to (A) or (B) above.

A certificate signed by two (2) Directors confirming that: (i) the Redemption and Purchase Conditions are not met or would not be met if the proposed redemption or repurchase were to be made; or (ii) the Redemption and Purchase Conditions are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

8.5 Suspension of Redemption Not a Default

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes in accordance with Condition 8.2 (*Conditions to Redemption and Purchase*) and Condition 8.4 (*Suspension of Redemption*) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

8.6 Redemption at the Option of the Issuer

Provided that the Redemption and Purchase Conditions are met, and subject to Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*), the Issuer may, having given:

- (A) not less than fifteen (15) nor more than thirty (30) days' notice to the Noteholders in accordance with Condition 14 (Notices) (which notice shall (save as provided in Condition 8.14 below) be irrevocable and shall specify the date fixed for redemption); and
- (B) notice to the Registrar, the Principal Paying and Conversion Agent and the Trustee not less than three (3) days before the giving of the notice referred to in (A),

redeem all (but not some only) of the Notes, on the First Call Date or on any Interest Payment Date thereafter at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption.

8.7 Redemption, substitution or variation at the option of the Issuer for taxation reasons

Provided that the Redemption and Purchase Conditions are met, and subject to Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*), if:

- (A) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction (a "**Tax Event**"), which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date either: (i) the Issuer would be required to pay Additional Amounts; or (ii) the payment of interest would no longer be deductible for United Kingdom

tax purposes; or (iii) in respect of the payment of interest, the Issuer would not to any material extent be entitled to have any attributable loss or non-trading deficit set against the profits (assuming there are any) of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist); and

- (B) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than thirty (30) nor more than sixty (60) days' notice in writing to the Trustee, the Principal Paying and Conversion Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall (save as provided in Condition 8.14 below) be irrevocable) either (at its sole discretion):

- (i) redeem all (but not some only) of the Notes, on any Interest Payment Date at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which: (i) with respect to (A)(i), the Issuer would be obliged to pay such Additional Amounts; (ii) with respect to (A)(ii), the payment of interest would no longer be deductible for United Kingdom tax purposes; or (iii) with respect to (A)(iii), the Issuer would not to any material extent be entitled to have the loss or non-trading deficit set against the profits as provided in (A)(iii), in each case were a payment in respect of the Notes then due; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 1 Notes, and the Trustee shall (subject as provided in Condition 8.10 (*Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*) and to the receipt by it of the certificates of the Directors referred to in Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*) below and in the definition of "Qualifying Tier 1 Notes") agree to such substitution or variation.

8.8 Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event

- (A) Provided that the Redemption and Purchase Conditions are met, and subject to Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*), if at any time a Capital Disqualification Event has occurred and is continuing, or, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any applicable law, regulation or other official publication, a Capital Disqualification Event will occur within the forthcoming period of six (6)

months, then the Issuer may, having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 14 (*Notices*), the Trustee and the Principal Paying and Conversion Agent in writing, which notice must be given during the Notice Period and shall (save as provided in Condition 8.14 below) be irrevocable, either (at its sole discretion):

- (i) redeem all (but not some only) of the Notes on any Interest Payment Date at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption; or
 - (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Tier 1 Notes, and the Trustee shall (subject as provided in Condition 8.10 (*Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*) and to the receipt by it of the certificates of the Directors referred to in Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*) below and in the definition of "Qualifying Tier 1 Notes") agree to such substitution or variation.
- (B) For the purposes of this Condition 8.8, "**Notice Period**" means the period commencing on the date on which the relevant Capital Disqualification Event first occurs (or, as applicable, the date on which the Issuer certifies that the same will occur within a period of six (6) months) and ending on the thirtieth (30th) calendar day following satisfaction of the Regulatory Clearance Condition in respect of the redemption, substitution or variation which is the subject of the notice to which the Notice Period relates.

8.9 Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event

- (A) Provided that the Redemption and Purchase Conditions are met, and subject to Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*), if at any time a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six (6) months, then the Issuer may, having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 14 (*Notices*), and to the Trustee and the Principal Paying and Conversion Agent in writing, which notice must be given during the Notice Period and shall (save as provided in Condition 8.14 below) be irrevocable, either:
- (i) redeem all (but not some only) of the Notes on any Interest Payment Date at their principal amount outstanding, together with (to the extent that such interest has not been cancelled in accordance with these

Conditions) any other accrued and unpaid interest to (but excluding) the date of redemption; or

- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Notes, and the Trustee shall (subject as provided in Condition 8.10 (*Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*) and to the receipt by it of the certificates of the Directors referred to in Condition 8.11 (*Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event*) below and in the definition of "Rating Agency Compliant Notes") agree to such substitution or variation.

- (B) For the purposes of this Condition 8.9, "**Notice Period**" means the period commencing on the date on which the relevant Ratings Methodology Event first occurs (or, as applicable, the date on which the Issuer certifies that the same will occur within a period of six (6) months) and ending on the thirtieth (30th) calendar day following satisfaction of the Regulatory Clearance Condition in respect of the redemption, substitution or variation which is the subject of the notice to which the Notice Period relates.

8.10 Trustee role on redemption, variation or substitution; Trustee not obliged to monitor

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to substitution or variation of the Notes for or into Qualifying Tier 1 Notes pursuant to Condition 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*) or 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or Rating Agency Compliant Notes (as the case may be) pursuant to Condition 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*) provided that the Trustee shall not be obliged to co-operate in or agree to any such substitution or variation of the terms if the securities into which the Notes are to be substituted or are to be varied or the co-operation in such substitution or variation imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections. If the Trustee does not so co-operate or agree as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 8 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice of the occurrence of any event or circumstance within this Condition 8, it shall be entitled to assume that no such event or circumstance exists.

8.11 Preconditions to redemption, variation or substitution for taxation reasons, Capital Disqualification Event or Ratings Methodology Event

- (A) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*), the Issuer shall deliver to the Trustee a certificate signed by two (2) Directors stating that, as the case may be, a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing as at the date of the certificate or, as the case may be (in the case of a Capital Disqualification Event or a Ratings Methodology Event), will occur within a period of six (6) months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date, that such Tax Event, Capital Disqualification Event or Ratings Methodology Event was unlikely to occur.
- (B) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless:
- (i) it has notified the Relevant Regulator in writing of its intention to do so not less than one (1) month (or such other period as may be required by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) from time to time) prior to the date on which such amendment, variation or substitution is to become effective; and
 - (ii) the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

A certificate signed by two (2) Directors confirming the requirements set out above are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

8.12 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price subject to the Redemption and Purchase Conditions being met prior to, and at the time of, such purchase. All Notes purchased by or on behalf of the Issuer or of its Subsidiary may be held, reissued, resold or, at the option of the Issuer and the relevant purchaser, surrendered for cancellation to the Principal Paying and Conversion Agent but whilst held may not be treated as outstanding for various purposes set out in the Trust Deed.

8.13 Cancellations

All Notes redeemed or substituted by the Issuer pursuant to this Condition 8, and all Notes purchased and surrendered for cancellation pursuant to Condition 8.12 (*Purchases*), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8.14 Notices Final

Subject and without prejudice to Conditions 4.1 (*Solvency Condition*), 8.2 (*Conditions to Redemption*) and 8.4 (*Suspension of Redemption*), any notice of redemption as is referred to in Conditions 8.6 (*Redemption at the Option of the Issuer*), Condition 8.7 (*Redemption, variation or substitution for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) and 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*) above shall, except in the circumstances described in the following paragraph of this Condition 8.14, be irrevocable and on the redemption date specified in such notice, the Issuer shall be bound to redeem, or as the case may be, vary or substitute, the Notes in accordance with the terms of the relevant Condition.

For the avoidance of doubt, the Issuer may not give a notice of redemption of the Notes pursuant to this Condition 8 if a Conversion Trigger Notice has been given. If a Conversion Trigger Notice is given after a notice of redemption has been given by the Issuer but before the relevant redemption date, such notice of redemption shall automatically be revoked and be null and void and the relevant redemption shall not be made.

9. Payments

9.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder. Payments of principal, and payments of interest due at the time of redemption of the Notes, will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Save as provided in the previous sentence, interest due for payment on the Notes will be paid to the holder shown on the Register at the close of business on the date (the "**record date**") being the second day before the due date for the relevant payment.

For the purposes of this Condition 9.1, a Noteholder's registered account means the Danish Krone account maintained by or on behalf of it with a bank that processes payments in Danish Krone, details of which appear on the Register at the close of business, in the case of principal, and of interest due at the time of redemption of the Notes, on the second Business Day before the due date for payment and, in the case of any other payment of interest, on the relevant record date.

9.2 Payments subject to applicable laws

Payments will be subject in all cases to (i) any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its respective Paying Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements and (ii) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the “**Code**”), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a “**FATCA Withholding Tax**”), and the Issuer will not be required to pay Additional Amounts on account of any FATCA Withholding Tax.

9.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 9.

9.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal, or of a payment of interest due at the time of redemption of the Notes, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if the Noteholder is late in surrendering its Certificate (in circumstances where it is required to do so).

9.5 Partial payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

9.6 Agents

The names of the initial Paying and Conversion Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of

any Agent and to appoint additional or other Agents, provided that they will at all times maintain:

- (A) a Principal Paying and Conversion Agent;
- (B) a Paying and Conversion Agent (which may be the Principal Paying and Conversion Agent) having a specified office in continental Europe; and
- (C) a Registrar.

In addition, the Issuer shall appoint and maintain an Interest Calculation Agent in accordance with the provisions of Condition 5.6 (*Interest Calculation Agent*). Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

10. Taxation

10.1 Payment without withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In any such event, the Issuer will pay such additional amounts in respect of Interest Payments but not in respect of any payments of principal ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been received in respect of the Notes in the absence of the withholding or deduction; except that no Additional Amounts shall be payable in relation to any payment in respect of any Note:

- (A) the holder of which is liable to the Taxes in respect of the Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (B) surrendered for payment (where surrender is required) in the United Kingdom; or
- (C) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non-residence or similar claim for exemption to the relevant tax authority upon the making of which the holder would have been able to avoid such withholding or deduction; or
- (D) surrendered for payment (where surrender is required) more than thirty (30) days after the Relevant Date except to the extent that a holder would have been entitled to Additional Amounts on surrendering the same for payment on the last day of the period of thirty (30) days assuming (whether or not such is in fact the case) that day to have been a Business Day.

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

10.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

11. Prescription

Claims in respect of principal and interest will become prescribed unless made within ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date.

12. Non-payment when due

12.1 Proceedings for Winding-up

The right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where a payment of principal in respect of the Notes by the Issuer under the Conditions or any provisions of the Trust Deed has become due and is not duly paid. For the avoidance of doubt, and without prejudice to this Condition 12.1, no amount shall be due from the Issuer in circumstances where payment of principal could not be made in compliance with the Solvency Condition, after a Conversion Trigger Event has occurred, where payment cannot be made in compliance with Condition 8.2 (Conditions to Redemption and Purchase) or where redemption is suspended pursuant to Condition 8.4 (Suspension of Redemption).

If default is made by the Issuer in the payment of principal in respect of the Notes and such default continues for a period of fourteen (14) days or more, the Trustee may at its discretion, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere), provided that the Issuer shall not be in default (and the Trustee may not initiate such proceedings) if during the fourteen (14) days' grace period, the Issuer satisfies the Trustee that such sums were not paid:

- (A) in order to comply with any fiscal or other law, regulation or order of any court or competent jurisdiction, in each case applicable to such payment, the Issuer, the relevant Paying and Conversion Agent or any holder of the Notes; or
- (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to

such validity or applicability given at any time during the said fourteen (14) days' grace period by independent legal advisers acceptable to the Trustee.

In the event of a winding-up or liquidation of the Issuer (whether in England and Wales or elsewhere and whether or not instituted by the Trustee), the Trustee may prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, such claim being subordinated in the manner described in Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*) or Condition 4.3 (*Winding-up on or after a Conversion Trigger Event*).

A certificate signed by two (2) Directors confirming that the relevant condition(s) set out in paragraph (A) and/or (B) of this Condition 12.1 is/are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

12.2 Enforcement

Without prejudice to Condition 12.1 (*Proceedings for Winding-up*), 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 or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, or in respect of any damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed) but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

Nothing in this Condition 12.2 shall, however, prevent the Trustee, subject to Condition 12.1 (*Proceedings for Winding-up*), from instituting proceedings for the winding-up of the Issuer in England and Wales and/or proving in any winding-up or administration of the Issuer (whether in England and Wales or elsewhere) and/or claiming in any liquidation of the Issuer in respect of any payment obligation of the Issuer (whether in England and Wales or elsewhere, and such claim being subordinated in the manner described in Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*) or Condition 4.3 (*Winding-up on or after a Conversion Trigger Event*)) where such payment obligation arises from the Notes or the Trust Deed (including, without limitation, payment of any principal, interest or other amounts due in respect of the Notes or any damages awarded for breach of any obligations under the Notes or the Trust Deed).

12.3 Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 12.1 (*Proceedings for Winding-up*) or Condition 12.2 (*Enforcement*) above against the Issuer to enforce the terms of the Trust Deed, the Notes or any other action under or pursuant to the Trust Deed unless:

- (A) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and
- (B) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

12.4 Right of Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 12.

12.5 Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 12, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

13. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

15. Meetings of Noteholders, Modification, Waiver and Authorisation

15.1 Meetings of Noteholders

Except as provided herein, any modification to, or waiver in respect of, these Conditions or any provisions of the Trust Deed will be subject to satisfaction of the Regulatory Clearance Condition.

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than ten (10) per cent., in principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one (1) or more persons present holding or representing more than fifty (50) per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one (1) or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one (1) or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trust Deed also provides that (i) a written resolution executed, or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee), in each case by or on behalf of the holders of ninety (90) per cent. in principal amount of the Notes outstanding who would have been entitled to vote upon it if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with Qualifying Change of Control pursuant to Condition 7.13 (*Change in Terms on Change of Control*).

15.2 Newco Scheme

In the event of a Newco Scheme, the Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under such Notes as the Issuer.

At the request of the Issuer, the Trustee shall (subject to and in accordance with the Trust Deed), without the requirement for any consent or approval of the Noteholders, concur with the Issuer in the substitution in place of the Issuer (or any previous substituted company) as principal debtor under the Trust Deed and the Notes of Newco, subject to the provisions set out in paragraph (B) of Condition 7.19 (*Covenants*).

The Issuer shall not be entitled to substitute Newco under the Notes as the Issuer unless:

- (A) it has notified the Relevant Regulator in writing of its intention to do so not less than one (1) month (or such other period as may be required by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) from time to time) prior to the date on which such amendment or variation is to become effective; and
- (B) the Regulatory Clearance Condition has been satisfied in respect of such proposed substitution,

in each case only if and to the extent required by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) at the relevant time.

A certificate signed by two (2) Directors confirming the requirements set out above are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

15.3 Modification, waiver, authorisation and determination

The Trustee may agree, without the consent of the Noteholders, to any modification (except as mentioned in the Trust Deed) 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 (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes unless:

- (A) it has notified the Relevant Regulator in writing of its intention to do so not less than one (1) month (or such other period as may be required by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) from time to time) prior to the date on which such amendment or variation is to become effective otherwise vary addition; and
- (B) the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment or variation,

in each case only if and to the extent required by the Relevant Regulator or any Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) at the relevant time.

A certificate signed by two (2) Directors confirming the requirements set out above are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence

thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without liability to any person.

15.4 Trustee to have regard to interests of Noteholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (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 Noteholder 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 Noteholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Trust Deed.

15.5 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

16. Indemnification of the Trustee and its contracting with the Issuer

16.1 Indemnification of the Trustee

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

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

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

otherwise. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

16.2 Limitation on Trustee actions

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

16.3 Trustee contracting with the Issuer

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

16.4 Regulatory Clearance Condition

Wherever in these Conditions and/or the Trust Deed there is a requirement for the Regulatory Clearance Condition to be satisfied, the Trustee shall be entitled to assume without enquiry that the Regulatory Clearance Condition has been satisfied unless notified in writing to the contrary by the Issuer.

17. Governing Law

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

18. Rights of Third Parties

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

19. Defined Terms

In these Conditions:

"Additional Amounts" has the meaning given to such term in Condition 10.1 (*Payment without withholding*);

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

"Agents" means the Registrar, the Principal Paying and Conversion Agent, the Interest Calculation Agent, the Transfer Agent and the other Paying Agents appointed from time to time under the Agency Agreement;

"Approved Winding-up" means a solvent winding-up of the Issuer 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; and (ii) do not provide that the Notes or any amount in respect thereof shall thereby become payable;

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

"Business Day" means:

- (a) except for the purposes of Conditions 2 (*Transfers of Notes and Issue of Certificates*), 9.4 (*Payment on Business Days*) and 10.1(D) (*Payment without withholding*) a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London and Copenhagen;
- (b) for the purposes of Condition 2 (*Transfers of Notes and Issue of Certificates*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located;
- (c) for the purposes of Conditions 9.4 (*Payment on Business Days*) and 10.1(D) (*Payment without withholding*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in London and Copenhagen and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered; and
- (d) for the purposes of Conditions 5.1 (*Interest Rate*) and 5.3 (*Determination of the Interest Rate*), a day on which commercial banks and foreign exchange markets are open for general business in Copenhagen;

"Calculation Amount" has the meaning given to such term in Condition 5.1 (*Interest Rate*);

a **"Capital Disqualification Event"** is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by the Relevant Regulator

or any court or authority entitled to do so of) the Relevant Rules, the whole or any part of the Notes are no longer capable of counting as Tier 1 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"Certificate" has the meaning given to such term in Condition 1 (*Form, Denomination and Title*);

"Closing Price" means, in respect of a Relevant Security, option, warrant or other right on any Dealing Day, the official closing price of such Relevant Security, option, warrant or other right on the Relevant Stock Exchange on such Dealing Day as published by or derived from Bloomberg page "HP" (or any successor page) (using the setting "Last Price", or any successor setting) in respect of such Relevant Security, option, warrant or other right for the Relevant Stock Exchange in respect thereof on such Dealing Day or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Closing Price of a Relevant Security, option, warrant or other right, as the case may be, in respect of such Dealing Day shall be the Closing Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined, or if such price cannot be determined as provided above, the Closing Price shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate;

"Companies Act" means the Companies Act 2006 (as amended or re-enacted from time to time);

"Conditions" has the meaning given to such term in the preamble to these Conditions;

"Conversion" means the conversion of the Notes into Ordinary Shares pursuant to Condition 7 (*Conversion*), and "convert" and "converted" shall be construed accordingly;

"Conversion Date" has the meaning given to such term in Condition 7.3 (*Notification of the occurrence of a Conversion Trigger Event*);

"Conversion Price" has the meaning given to such term in paragraph (B) of Condition 7.2 (*Conversion upon Conversion Trigger Event*);

"Conversion Shares" means the Ordinary Shares to be issued and delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) by the Issuer on the Share Delivery Date on and subject to the terms set out in Condition 7 (*Conversion*);

"Conversion Shares Depositary" means a reputable financial institution, trust company or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed to perform such functions and that will hold the Conversion Shares (and any Conversion Shares Offer

Consideration) on trust for the Noteholders of the Notes in one or more segregated accounts, unless otherwise required to be transferred out of such accounts for the purposes of the Conversion Shares Offer, and otherwise on terms consistent with these Conditions;

"Conversion Shares Offer" has the meaning given to such term in paragraph (A) of Condition 7.5 (*Conversion Shares Offer*);

"Conversion Shares Offer Agent" means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depository by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depository to facilitate a Conversion Shares Offer;

"Conversion Shares Offer Consideration" means in respect of each Note and as determined by the Conversion Calculation Agent:

- (a) if all of the Conversion Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the pro rata share of the cash proceeds from the sale of such Conversion Shares attributable to such Note translated, if necessary, into Danish Krone at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs);
- (b) if some but not all of such Conversion Shares are sold in the Conversion Shares Offer:
 - (i) the pro rata share of the cash proceeds from the sale of such Conversion Shares attributable to such Notes translated, if necessary, into Danish Krone at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs); and
 - (ii) the pro rata share of such Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Notes rounded down to the nearest whole number of Ordinary Shares; and
- (c) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Notes rounded down to the nearest whole number of Ordinary Shares,

subject, in the case of paragraphs (a) and (b)(i) above, to deduction from any such cash proceeds of an amount equal to the pro rata share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer;

"Conversion Shares Offer Notice" has the meaning given to such term in paragraph (B) of Condition 7.5 (*Conversion Shares Offer*);

"Conversion Shares Offer Period" has the meaning given to such term in paragraph (D) of Condition 7.5 (*Conversion Shares Offer*);

"Conversion Shares Settlement Notice" means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent and which is required to be delivered to the Conversion Shares Depositary (or its agent(s) designated for the purpose in the Conversion Trigger Notice) in connection with a Conversion of the Notes;

a **"Conversion Trigger Event"** shall occur if at any time:

- (a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than seventy-five (75) per cent. of the Solvency Capital Requirement;
- (b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or
- (c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three (3) months from the date on which the breach was first observed;

"Conversion Trigger Notice" has the meaning given to such term in paragraph (B) of Condition 7.3 (*Notification of the occurrence of a Conversion Trigger Event*);

"Current Market Price" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five (5) consecutive Dealing Days (or, for the purposes of paragraph (D) of Condition 7.8 (*Adjustment of Conversion Price*) ten (10) consecutive Dealing Days) ending on the Dealing Day immediately preceding such date; provided that, for the purposes of paragraph (D) of Condition 7.8, if at any time during the said ten (10) dealing-day period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum- such dividend (or cum- such any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on

which the Ordinary Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, for the purposes of paragraph (D) of Condition 7.8, if on each of the said ten (10) Dealing Days the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement of the terms such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five (5) Dealing Days (or, for the purposes of paragraph (D) of Condition 7.8 (*Adjustment of Conversion Price*), the said ten (10) Dealing Days) (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five (5) (or, for the purposes of paragraph (D) of Condition 7.8 (*Adjustment of Conversion Price*), ten (10)) dealing-day period shall be used (subject to a minimum of two (2) such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser;

"Day Count Fraction" has the meaning given to such term in Condition 5.1 (*Interest Rate*);

"Dealing Day" means a day on which the Relevant Stock Exchange or any other relevant stock exchange or securities market is open for business on which Ordinary Shares, Relevant Securities, Relevant Shares, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or such other relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time);

"Director" means any member of the board of directors of the Issuer from time to time;

"Distributable Items" means, without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the most recently ended financial year of the Issuer; plus

- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's latest financial year end to the date of the distribution; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's latest financial year end to the date of the distribution;

"Distributable Profits" has the meaning give to such term in section 736 of the Companies Act, or any equivalent or replacement provision;

"DKK", "Danish Krone" and "øre" means the lawful currency of Denmark;

"Exempt Newco Scheme" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are:

- (a) admitted to trading on the Relevant Stock Exchange; or
- (b) admitted to listing on such other EEA Regulated Market as the Issuer or Newco may determine;

"Existing Preference Shares" means the 7 3/8 per cent. Cumulative Irredeemable Preference Shares of £1 each in the capital of the Issuer, with an aggregate paid up amount of £125,000,000;

"Extraordinary Resolution" has the meaning given to such term in the Trust Deed;

"Fair Market Value" means:

- (a) with respect to a Cash Dividend, the amount of such Cash Dividend;
- (b) with respect to a cash amount, the amount of such cash;
- (c) with respect to Relevant Securities, options, warrants or other rights that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by an Independent Adviser), (i) with respect to such Relevant Securities (to the extent constituting equity share capital), the arithmetic mean of the daily Volume Weighted Average Prices of such Relevant Securities and (ii) with respect to such Relevant Securities (other than to the extent constituting equity share capital), options, warrants or other rights, the arithmetic mean of the daily Closing Prices of such Relevant Securities, options, warrants or other rights, in the case of (i) and (ii), during the period of five Dealing Days on the Relevant Stock Exchange commencing on such date (or, if later, the first such Dealing Day such Relevant Securities, options, warrants or other rights are publicly traded) or such shorter period as such Relevant Securities, options, warrants or other rights are publicly traded; and

- (d) with respect to Relevant Securities, options, warrants or other rights that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), the fair market value of such Relevant Securities, options, warrants or other rights as determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Relevant Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall, in the case of (a) and (b) above, be translated (if expressed in a currency other than the Relevant Currency) into the Relevant Currency (if declared, announced, made, paid or payable in a currency other than the Relevant Currency, and if the relevant dividend is payable at the option of the Issuer or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange (if any) used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

"Final Cancellation Date" means the date on which any Notes in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depository (or its designated agent(s)) on or before the Notice Cut-off Date shall be cancelled, which date is expected to be no more than twelve (12) Business Days following the Notice Cut-off Date and which will be notified to Noteholders in the Conversion Trigger Notice;

"First Call Date" means the Interest Payment Date falling on or nearest to 27 March 2022;

"Group" means the Issuer and its Subsidiaries;

"Group Insurance Undertaking" means an insurance undertaking whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Relevant Rules;

"Independent Adviser" means an independent financial institution of international repute or independent financial adviser with appropriate expertise (which may be (without limitation) the Conversion Calculation Agent) appointed by the Issuer at its own expense;

"Insolvent Insurer Winding-up" means:

- (a) the winding-up of any Group Insurance Undertaking; or

(b) the appointment of an administrator of any Group Insurance Undertaking,

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

"Interest Calculation Agent" means a leading financial institution in London or Copenhagen appointed by the Issuer in accordance with Condition 5.6 (*Interest Calculation Agent*) for the purposes of determining the Interest Rate;

"Interest Payment" means, in respect of any Interest Payment Date, the amount of interest due and payable on such Interest Payment Date;

"Interest Payment Date" means 27 March, 27 June, 27 September and 27 December in each year, commencing on 27 June 2017, save that if any Interest Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day;

"Interest Period" means the period from (and including) one Interest Payment Date (or in the case of the first Interest Period, from the Issue Date) to (but excluding) the next (or in the case of the first Interest Period, the first) Interest Payment Date (or, if earlier, the date on which accrued interest otherwise becomes due and payable pursuant to these Conditions);

"Interest Rate" has the meaning given to such term in Condition 5.1 (*Interest Rate*);

"Issue Date" means 27 March 2017;

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

"Issuer Winding-Up" has the meaning given to such term in Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*);

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

"Mandatory Interest Cancellation Event" has the meaning given to such term in Condition 6.2 (*Mandatory Cancellation of Interest Payments*);

"Margin" means 4.85 per cent. per annum;

"Minimum Capital Requirement" means the Minimum Capital Requirement of the Issuer, the Minimum Capital Requirement of the Group or the Group minimum Solvency Capital Requirement (as applicable) referred to in the Relevant Rules;

"Newco Scheme" means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which effects the interposition of a limited liability company ("**Newco**")

between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; provided that:

- (a) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders;
- (b) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement;
- (c) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer;
- (d) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and
- (e) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

"**Noteholder**" has the meaning given to such term in Condition 1.2 (*Title*);

"**Notes**" has the meaning given to such term in the preamble to these Conditions;

"**Notice Cut-off Date**" means the date specified as such in the Conversion Trigger Notice, which date shall be at least twenty (20) Business Days following the Share Delivery Date;

"**Notional Preference Shares**" has the meaning given to such term in Condition 4.2 (*Winding-up prior to a Conversion Trigger Event*);

"**Ordinary Shares**" means fully paid ordinary shares in the capital of the Issuer;

"**Own Fund Items**" means any own fund item referred to in the Relevant Rules;

"**Paying Agents**" means the Principal Paying and Conversion Agent, the Paying and Conversion Agents and the Registrar (and such term shall include any successor, replacement or additional paying agents appointed under the Agency Agreement);

"**Paying and Conversion Agents**" has the meaning given to such term in the preamble to these Conditions;

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

"Prevailing Rate" means, in respect of any currencies on any day, the spot mid-rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date as appearing on or derived from Bloomberg page BFIX (or any successor page) in respect of such pair of currencies or, if such a rate cannot be so determined, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined, the rate determined in such other manner as an Independent Adviser shall in good faith prescribe;

"Principal Paying and Conversion Agent" has the meaning given to such term in the preamble to these Conditions;

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

"Qualifying Tier 1 Notes" means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (i) to (vii) below) signed by two (2) Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities) provided that (without prejudice to the foregoing) they shall:
 - (i) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 1 Capital;
 - (ii) bear at least the same rate of interest from time to time applying to the Notes and preserve the Interest Payment Dates;
 - (iii) contain terms providing for the cancellation and/or suspension of payments of interest or principal only if such terms are not materially less favourable to an investor than the cancellation and/or suspension provisions, respectively, contained in the terms of the Notes;
 - (iv) rank senior to, or *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, provided that such Qualifying Tier 1 Notes may not be redeemed by the Issuer prior to the First Call Date (save for redemption, exchange or variation on terms analogous with Condition 8.7 (*Redemption, substitution, or variation at the option of the Issuer for taxation reasons*), 8.8 (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or 8.9 (*Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*));
 - (vi) contain terms providing for or requiring the Issuer to effect loss absorption through conversion to ordinary shares; and
 - (vii) preserve any existing rights under these Conditions to any accrued interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and
- (b) are listed or admitted to trading on the Irish Stock Exchange's Global Exchange Market or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"Rating Agency" means each of Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Limited and any other rating agency appointed by the Issuer or any successor thereof;

"Rating Agency Compliant Notes" means securities issued directly or indirectly by the Issuer that are:

- (a) Qualifying Tier 1 Notes; and
- (b) assigned by each Rating Agency substantially the same equity content or, at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Ratings Methodology Event) as that which was assigned by the relevant Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect signed by two (2) Directors shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely without liability to any person);

"Ratings Methodology Event" will be deemed to occur upon a change in, or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by that Rating Agency to the Notes is, as notified by that Rating Agency to the Issuer or as published by that Rating Agency, reduced when compared to the equity content assigned by that Rating Agency to the Notes on or around the Issue Date;

"Recognised Stock Exchange" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as amended or re-enacted from time to time, and any provision, statute or statutory instrument replacing the same from time to time;

"record date" has the meaning given to such term in Condition 9.1 (*Payments in respect of Notes*);

"Redemption and Purchase Conditions" has the meaning given to such term in Condition 8.2 (*Conditions to Redemption and Purchase*);

"Reference Banks" means the principal Danish office of each of four major banks engaged in the Copenhagen interbank market selected by the Interest Calculation Agent;

"Register" has the meaning given to such term in Condition 1.1 (*Form and Denomination*);

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

"Regulatory Clearance Condition" means, in respect of any proposed act on the part of the Issuer, the Relevant Regulator having approved or consented to, or having been given due notification of and having not objected (if and to the extent applicable) to, such act (in any case only if and to the extent required by the Relevant Regulator or the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 1 Capital) from time to time);

"Relevant Currency" means Sterling or (if different) the currency in which the Ordinary Shares or the Relevant Shares (as applicable) are quoted or dealt in on the Relevant Stock Exchange at such time;

"Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*);

"Relevant Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;

"Relevant Regulator" means the PRA or any other regulatory authority exercising group supervision over the Group in accordance with the Relevant Rules;

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

extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Relevant Regulator relating to such matters;

"Relevant Securities" means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer (and each a **"Relevant Security"**);

"Relevant Shares" has the meaning given to such term in Condition 7.13 (*Change in Terms on Change of Control*);

"Relevant Stock Exchange" means in respect of the Ordinary Shares, any Relevant Security, option, warrant or other right or any other securities, the Main Market of the London Stock Exchange plc or, if at the relevant time the Ordinary Shares, any Relevant Security, option, warrant or other right are not at that time listed and admitted to trading on the Main Market of the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares, any Relevant Security, option, warrant or other right are then listed, admitted to trading or quoted or accepted for dealing;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Screen Rate" means the Copenhagen Inter-bank Offered Rate ("**CIBOR**") for three-month deposits in Danish Krone which appears on the website of Nasdaq Copenhagen A/S at the webpage <http://www.nasdaqomxnordic.com/bonds/denmark/cibor> (or such other page as may replace it on that service or, as the case may be, on such other information service that may replace that service, in each case, as may be nominated by the Interest Calculation Agent providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the relevant rate);

"Senior Creditors" means creditors of the Issuer:

- (a) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any);
- (b) whose claims constitute or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer;
- (c) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event;

"Settlement Date" means:

- (a) where the Issuer has not elected that a Conversion Shares Offer will be conducted, with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date, the date that is two (2) Business Days after the latest of:
- (i) the Share Delivery Date;
 - (ii) the date on which the Issuer announces that it will not elect for a Conversion Shares Offer to be conducted (or, if no such announcement is made, the last date on which the Issuer is entitled to give the Conversion Shares Offer Notice); and
 - (iii) the date on which the relevant Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary or its designated agent;
- (b) where the Issuer has elected that a Conversion Shares Offer will be conducted, with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date, the date that is two (2) Business Days after the later of:
- (i) the date on which the Conversion Shares Offer Period expires or is terminated; and
 - (ii) the date on which the relevant Conversion Shares Settlement Notice has been so received by the Conversion Shares Depositary or its designated agent; and
- (c) with respect to any Note in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date, the date on which the Conversion Shares Depositary delivers the relevant Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the relevant Noteholder;

"Share Delivery Date" means, following the occurrence of a Conversion Trigger Event, the date on which the Issuer delivers the Conversion Shares to the Conversion Shares Depositary in accordance with these Conditions which date is expected to be no more than fifteen (15) Business Days following the Conversion Date and which will be notified to Noteholders in the Conversion Trigger Notice;

"Shareholders" means the holders of Ordinary Shares;

"Solvency Capital Requirement" means the Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable) referred to in, or any other capital requirement howsoever described in the Relevant Rules;

"Solvency Condition" has the meaning set forth in Condition 4.1 (*Solvency Condition*);

"Solvency II" means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation, implementing technical standards or by further directives, guidelines published by the European Insurance and Occupational Pensions Authority (or any successor entity) or otherwise) including, without limitation, the Solvency II Regulations;

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

"Sterling" or **"£"** means the lawful currency of the United Kingdom;

"Subsidiary" has the meaning given to such term under section 1162 of the Companies Act;

"Taxes" has the meaning given to such term in Condition 10.1 (*Payment without withholding*);

"Tax Event" has the meaning given to such term in paragraph (A) of Condition 8.7 (*Redemption, substitution or variation at the option of the Issuer for taxation reasons*);

"Tier 1 Capital" has the meaning given to such term by the Relevant Rules from time to time;

"Tier 2 Capital" has the meaning given to such term by the Relevant Rules from time to time;

"Tier 3 Capital" has the meaning given to such term by the Relevant Rules from time to time;

"Tier 1 Own Funds" means subordinated notes, ordinary shares or any other share capital of any class which constitute Tier 1 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis;

"Transfer Agent" has the meaning give in the preamble to these Conditions;

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

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

"Volume Weighted Average Price" means, in respect of an Ordinary Share (or Relevant Share, as applicable) or Relevant Security, options, warrants or other rights on any Dealing Day, the order book volume-weighted average price of such Ordinary Share (or Relevant Share) or Relevant Security on the Relevant Stock Exchange in respect thereof

as published by or derived from Bloomberg page HP (or any successor page) (using the setting "Weighted Average Line" or any successor setting) in respect of such Ordinary Shares (or Relevant Shares), options, warrants or other rights for the Relevant Stock Exchange in respect thereof on such Dealing Day (and for the avoidance of doubt such page for the Ordinary Share as at the Issue Date is RSA LN Equity HP) , or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share (or Relevant Share, as applicable), Relevant Security, option, warrant or other right, as the case may be, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined or determined as an Independent Adviser might otherwise determine in good faith to be appropriate.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment.

References to "ordinary share capital" have the meaning provided in Section 1119 of the Corporation Tax Act 2010 and "equity share capital" has the meaning provided in Section 548 of the Companies Act.

References to any issue or offer or grant to Shareholders or Existing Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as the Conversion Calculation Agent or an Independent Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Condition 7, references to the "issue" of Ordinary Shares or Ordinary Shares being "issued" shall, unless otherwise expressly specified, include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (2) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Condition 7.8(D), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "in issue" or "issued" or entitled to receive the relevant dividend, right or other entitlement.

Unless the context otherwise requires, references to (i) "principal" shall be deemed to include all amounts in the nature of principal payable pursuant to these Conditions or any amendment or supplement to them and (ii) "interest" shall be deemed to include any Additional Amounts relating

to interest that may be payable under Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed in respect of any such amount.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for the Common Depositary for Euroclear and Clearstream, Luxembourg and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2.1 (*Transfers of Notes and Issue of Certificates*) may only be made in part:

- (A) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (B) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or
- (C) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Amendment to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the Conditions set out in these Listing Particulars. The following is a summary of certain of those provisions:

Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each DKK1,000,000 in principal amount of the Notes.

Trustee's Powers

In considering the interests of Noteholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for a clearing system, then:

- (i) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution (as defined in the Trust Deed) to be passed at a meeting for which the Special Quorum (as defined in the Trust Deed) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer or the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Suspension Date following Conversion

In the case of Notes represented by a Global Certificate, any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

For the purposes of this provision, "Suspension Date" shall mean a date specified by the Issuer in the Conversion Trigger Notice or the Conversion Shares Offer Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which Euroclear or Clearstream, Luxembourg shall suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg.

The number of Ordinary Shares to be issued and delivered by the Issuer to the Conversion Shares Depository on the Share Delivery Date shall be calculated by the Conversion Calculation Agent on the basis of the aggregate principal amount of the Notes so converted.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Group (which may include, without limitation, the repurchase or refinancing of existing debt).

THE RSA GROUP

Overview of the Group

The Issuer, RSA Insurance Group plc, is the holding company for a leading international general insurance group. As the Issuer is a holding company, it is dependent on dividends, distributions and other payments from its subsidiaries.

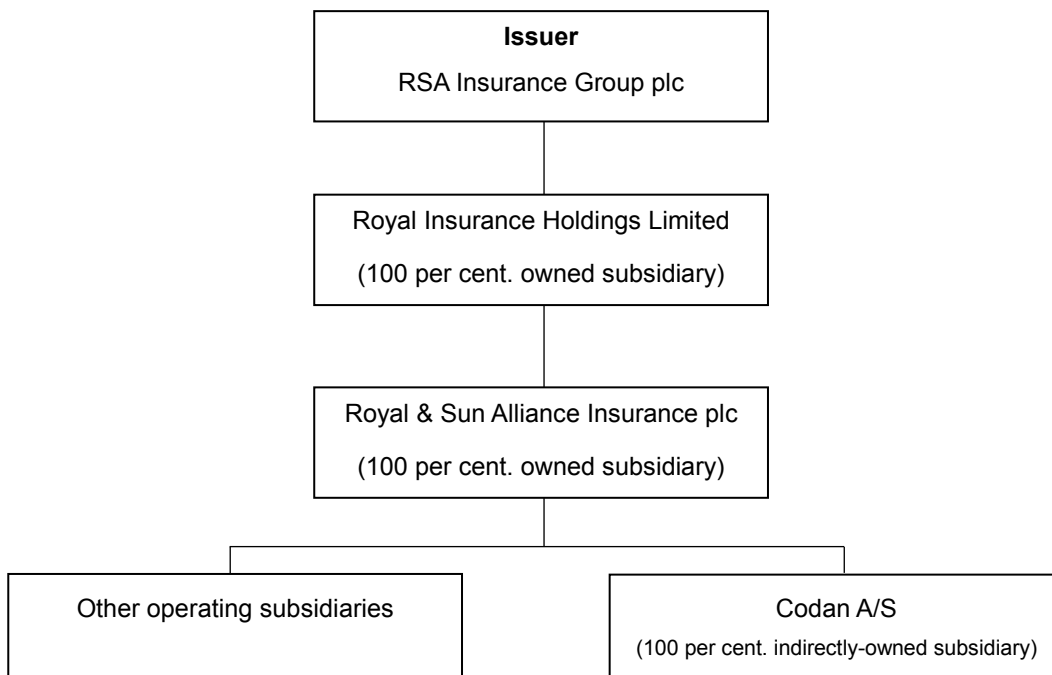
Through its operations and its global distribution network, the Issuer and its subsidiaries ("**RSA**" or the "**Group**") offer a broad range of personal and commercial general insurance products. The Group's products for personal customers include personal motor, home, personal accident, pet and travel insurance. The Group's products for commercial customers include marine, property, motor, liability, renewable energy and construction and engineering.

The Issuer is a public limited company of infinite duration domiciled in England and Wales. The Issuer was incorporated and registered in England and Wales on 26 January 1989 as a company limited by shares with the name Sun Alliance Group plc and registered number 2339826. On 20 May 2008 the change of the Issuer's name from Royal & Sun Alliance Insurance Group plc to RSA Insurance Group plc took effect. The principal legislation under which the Issuer operates is the Companies Act 2006.

The Issuer's registered office is at 20 Fenchurch Street, London EC3M 3AU. The telephone number of the Issuer's registered office is +44 (0) 20 7111 7000.

The Group was formed in 1996 through the merger of two of the then largest composite insurers in the United Kingdom, Royal Insurance Holdings plc and Sun Alliance Group plc. The Group can trace its history back over 300 years to the establishment of the Sun Insurance Office, which is one of the world's oldest insurance companies. The Group also has a long international history, having operated in mainland Europe since the early 1800s, and in Canada since the 1850s.

The following chart shows in simplified form the organisational structure of the Group:



The Business of the Group

The following table set out the key measures of the Group during the periods under review:

| | FY 2016 | FY 2015 |
|--|---------|---------|
| COR(%)..... | 94.2 | 96.9 |
| Profit before tax (on a management basis)..... | 91 | 323 |
| Underwriting result (£m) | 380 | 220 |
| Investment result (£m) | 298 | 322 |
| Operating result (£m) | 655 | 523 |

The Group recognised a profit after tax of £20 million in FY 2016 (FY 2015: profit of £244 million).

The Group's underwriting result increased from £220 million in FY 2015 to £380 million in FY2016.

The Group's net written premiums ("**NWP**") decreased from £6,825 million in FY 2015 to £6,408 million in FY 2016. NWP for the core Group increased from £5,903 million in FY 2015 to £6,281 million in FY 2016.

The Group's net investment return decreased from £381 million in FY 2015 to £347 million in FY 2016.

The Group's combined operating ratio ("**COR**") was 94.2 per cent. in FY 2016 (96.9 per cent. in FY 2015).

The Group's underlying profit before tax (the operating result less interest costs) increased from £417 million in FY 2015 to £556 million in FY 2016.

The Group's underlying earnings per share increased from 27.8p in FY 2015 to 39.5p in FY 2016 and the Group's return on tangible equity increased from 9.7% in FY 2015 to 14.2% in FY 2016.

As of 31 December 2016, the Group had total assets of £21,139 million (31 December 2015: £20,611 million), net assets (total assets minus total liabilities) of £3,847 million (31 December 2015: £3,771 million) and financial investments and cash and cash equivalents (including held for sale) of £14,535 million (31 December 2015: £13,468 million). As of 31 December 2016, the Group's tangible net asset value was £2,862 million (31 December 2015: £2,838 million).

As of 31 December 2016, the Group's total loan capital and financial indebtedness was £1,319 million (31 December 2015: £1,265 million).

The following tables set forth a segmental breakdown of the key measures in the Group's results of operations for the periods under review.

| | FY 2016 | FY 2015 |
|----------------|---------|---------|
| NWP (%) | | |

| | | |
|--------------------------|------------|------------|
| Scandinavia..... | 27 | 23 |
| Canada..... | 22 | 20 |
| UK (excluding Legacy)... | 40 | 38 |
| Ireland..... | 5 | 4 |
| Middle East..... | 3 | 3 |
| Central Functions..... | 1 | (2) |
| Non-core..... | (1) | 1 |
| Discontinued..... | 3 | 13 |
| Total..... | 100 | 100 |

| | FY 2016 | FY 2015 |
|---------------------------------|----------------|----------------|
| Underwriting result (£m) | | |
| Scandinavia..... | 239 | 94 |
| Canada..... | 74 | 116 |
| UK (excluding Legacy)... | 123 | 12 |
| Ireland..... | (49) | (35) |
| Middle East..... | 14 | 8 |
| Central Functions..... | (9) | 50 |
| Non-core..... | (16) | (60) |
| Discontinued..... | 4 | 35 |
| Total..... | 380 | 220 |

| | FY 2016 | FY 2015 |
|--------------------------|----------------|----------------|
| COR (%) | | |
| Scandinavia..... | 86.2 | 94.0 |
| Canada..... | 94.9 | 91.7 |
| UK (excluding Legacy)... | 95.4 | 99.5 |
| Ireland..... | 116.2 | 113.4 |
| Middle East..... | 92.8 | 95.4 |
| Group..... | 94.2 | 96.9 |

Products

The Group provides general insurance products to personal and commercial customers.

The Group's principal products for personal customers include:

- **Personal motor** – insurance varies by territory and typically covers against liability for both bodily injury and property damage and for physical damage to an insured's vehicle from collision and various other risks;
- **Home** – insurance covers against loss of or damage to the buildings and contents of private residences with a range of additional features, such as coverage for valuables away from home and liability arising from ownership or occupancy;
- **Personal Accident** – policies which provide insured benefits in the event of, amongst other things, accidental death or disability;
- **Pet** – policies which provide benefits in the event of veterinary treatment fees, death or loss of pet and third party liability;
- **Travel** – policies which provide benefits in the event of cancellation or curtailment, travel delays, loss of personal baggage or money, emergency medical and travel expenses and legal expenses; and
- **Specialty Covers** – these policies provide coverage associated with an affinity partner. These can include for example coverage in the event of mechanical breakdown of a personal device or domestic appliance or short term death or unemployment benefit offered as part of a package of benefits associated with a credit card.

The Group's products for commercial customers include:

- **Motor** – insurance varies by territory and typically covers businesses against liability for both bodily injury and property damage and for physical damage to an insured's vehicle from collision and various other risks resulting from the ownership, maintenance or use of cars and trucks in a business;
- **Property** – insurance covers against loss or damage to buildings, inventory and equipment from natural disasters, including hurricanes, windstorms, earthquakes, floods, hail, explosions, severe winter weather and other events such as theft and vandalism, fires and financial loss due to business interruption resulting from covered losses;
- **Construction** – insurance covers damage to buildings, infrastructure and other works including testing and commissioning arising from construction contracts, as well as third party liability damage or injury and business interruption arising therefrom and Engineering insurance covers damage resulting from the breakdown of machinery, plant and equipment including the erection risk and business interruption arising therefrom;
- **Marine** – insurance covers against physical loss or damage to yachts, boats, marine craft, cargo and stock and liabilities arising from haulage and freight and other marine transportation as well as ports and terminals insurance and aquaculture insurance; and
- **Liability** – insurance covers against employers' liability, public liability, professional indemnity and directors' and officers' liability.

Distribution

The Group employs a wide range of distribution strategies tailored to meet the needs of local markets across the world. Many of these markets are dominated by insurance brokers and other intermediaries with whom the Group has built long-term relationships. Through strategic partnerships with the global brokers, the Group writes complex international covers and also works closely with smaller brokers. The Group has also developed direct distribution businesses where customers purchase policies over the phone or, increasingly, online. The Group trades through distribution partnerships with affinity partners such as building societies, banks, managing general agents, retailers, motor manufacturers, charities, utilities and unions across the world. The Board believes that this multi-channel distribution strategy allows the Group to reach a broad cross-section of personal and commercial customers.

Insurance Business

The Group currently operates through the following three core segments, based on where its business is underwritten or managed: Scandinavia (comprising Denmark, Sweden and Norway); Canada; and UK & International (which includes Ireland and the Middle East). It also reports a Central Functions segment. In FY 2016, the Group's net written premiums were split among the segments as follows: Scandinavia: 27 per cent. Canada: 22 per cent.; UK & International: 48 per cent. (of which UK: 40 per cent., Ireland 5 per cent. and Middle East 3 per cent.); Central Functions: 1 per cent; and Non-core/Discontinued: 2 per cent.

Scandinavia

The Group's operations in Scandinavia are led by Patrick Bergander. RSA is the third largest property and casualty insurer in Denmark (on the basis of gross earned premiums), the fourth largest in Sweden (on the basis of gross written premiums), operating as Codan and Trygg-Hansa, respectively. Codan also has a growing business in Norway where it is the seventh largest property and casualty insurer (based on portfolio premiums). RSA is the fifth largest property and casualty insurer overall across the region, and is the only global insurer operating with scale in Scandinavia.

Distribution of personal products in Scandinavia is almost exclusively via direct channels and commercial products distribution is based on a mix between broker and direct, but with the majority of products (approximately two-thirds) sold through direct channels.

Canada

The Group's operations in Canada are led by Martin Thompson. RSA has a top six position in Canada's private sector property and casualty insurance market (on the basis of direct written premiums). The Board believes that RSA has a strong distribution proposition in the Canadian marketplace, with an established offering across intermediated, direct and affinity channels which means that the Group is able to reach a broad base of customers. RSA operates across all provinces in Canada.

RSA distributes personal and commercial products through intermediaries under the RSA brand. In addition, RSA has a leading market position in affinity distributions in Canada (based on direct

written premiums), through Johnson, RSA's direct personal offering, and leading positions in travel and marine underwriting.

UK and International

The Group's operations in the United Kingdom, Ireland and the Middle East are led by Steve Lewis. In the United Kingdom, RSA is the second largest commercial insurer, operating as RSA through intermediaries, with key positions in property, motor, liability and marine, and exposures across the SME, mid-market and global speciality customer segments. RSA operates across the key UK market centres as well as in six European locations. RSA also has a strong positions in the UK personal household, motor and pet markets, with a direct insurance offering through the MORE TH>N brand and a broker portfolio focused on profitable segments, as well as affinity relationships with some of the major UK retailers. RSA is a leading international marine player through the London markets. RSA is a leading player in Ireland with particular strengths in household insurance and in direct sales through the 123.ie business. In the Middle East, RSA has a 50 per cent. share of operations in the United Arab Emirates, Oman, Saudi Arabia and Bahrain.

Non-core Markets

In 2014 RSA commenced a major disposal programme with the intention of focusing the Group on its strongest businesses and stabilising the Group's capital position. That disposal programme is now complete, with completion of the sale of operations in Latin American and Russia in H1 2016 being the last major piece.

Investment strategy

RSA's investment strategy is intentionally conservative, with a focus on maintaining a low risk and high quality investment structure. The average yield on bond portfolios for the financial year ended 31 December 2016 was 2.5 per cent (2.8 per cent in FY 2015), and reinvestment rates in the Group's major bond portfolios during such period was approximately 1.4 per cent.

Strategy and recent developments

In 2014 RSA commenced a strategic restructuring and turnaround. This was aimed at:

1. a strategic re-focusing of the Group onto its strongest markets;
2. strengthening the balance sheet and capital position of the Group, and the disciplines required to sustain this; and
3. improving and sustaining business performance.

Since then, RSA has made strong progress. The quality of the foundations laid during this period, together with the franchise strengths of RSA's 300 year history, are important pillars for future performance and ambitions.

Strategic re-focus

RSA commenced a disposal programme in 2014 and this was completed with the sale of its businesses in Latin America and Russia which closed in 2016. This brings the total number of businesses disposed of since 2014 to 19 with total sales proceeds of £1.2 billion.

RSA is now a strong and focused international insurer, with complementary leadership positions in the major general insurance markets of the UK, Scandinavia and Canada. It has valuable franchise strength and balance across these regions, between commercial and personal customers and across product lines.

Capital and balance sheet strength

RSA's balance sheet and capital positions have been transformed. The 2014 rights issue, disposal gains, and stronger business results have all been important contributors to this transformation. RSA's credit ratings are now at its target levels and its Solvency II capital ratio is above its target range.

In 2016, RSA completed the retirement of £200 million of subordinated debt, reducing both leverage and interest costs. Risk reduction in the Group's UK pension scheme assets was also successfully completed in 2016.

Performance improvement

RSA is focused on identifying and realising performance improvement opportunities across its business. RSA's sustainable performance has been taken from a level below that of competitors in 2013 and prior, to 'in the pack' today. All efforts are now focused on moving towards RSA's 'best in class' ambitions. The plan is substantially the same across its businesses: focus on improving service to customers, on underwriting and on costs.

Cost savings

The core Group's earned controllable expense ratio has reduced from 25.8 per cent. in FY 2013 to 23.0 per cent. in FY 2016 and the Group's target is to reduce this ratio to 20.0 per cent. The Group had achieved £292 million of gross annualised cost savings by 31 December 2016 against its original target of £180 million and the Group has upgraded its cost savings target from £350 million to over £400 million of gross annualised savings by 2018. The Group's costs to achieve such savings are now expected to be lower at around 1.3 times the annual cost savings once fully achieved. The core Group has reduced headcount by 19 per cent. since 2013, and headcount was reduced by 7 per cent. in 2016.

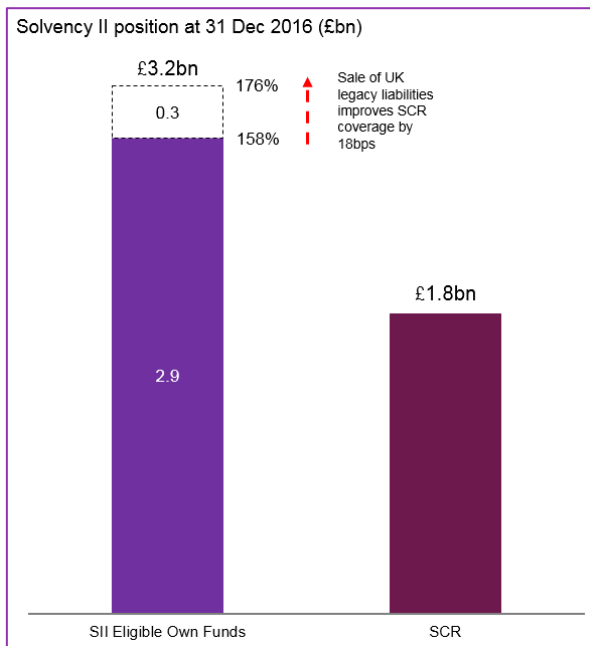
Group capital

Capital position

At 31 December 2016 the Group reported an estimated Solvency II capital surplus of £1.4 billion which gives coverage of 176 per cent. over the Group's Solvency Capital Requirement ("**SCR**") of £1.8 billion. This includes an 18 per cent. pro forma coverage benefit for the disposal of £834 million of UK legacy liabilities announced on 7 February 2017.

Following such disposal, the Group had an estimated Solvency II capital surplus of £1.1 billion which gives coverage of 177 per cent. over the Group's Minimum Consolidated Group SCR ("**MSCR**") of £1.3 billion. The Group expects the surplus to increase further from 1 January 2018 (which would give coverage of approximately 194 per cent. over the MSCR) once the Danish Financial Supervisory Authority recognises the Group's approved Solvency II Internal Model in respect of Codan.

The following table shows the Group's Solvency II position as at 31 December 2016.

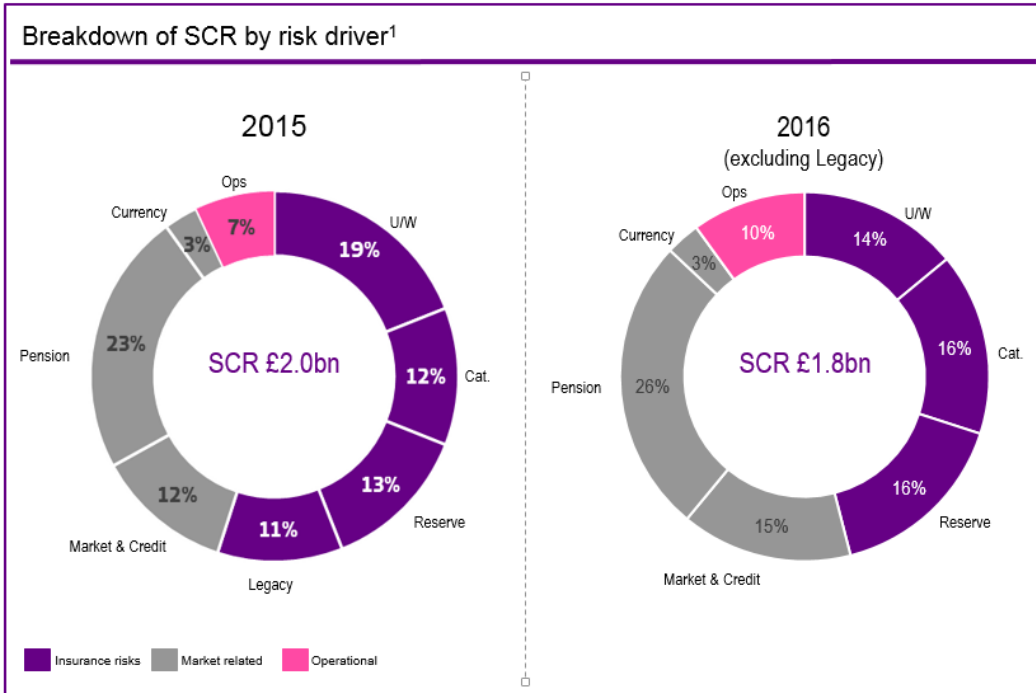


The Group uses a fully consolidated Internal Model tailored to its risk profile for which regulatory approval was received from the PRA on 5 December 2015. The SCR represents the Value-at-Risk of basic own funds subject to a confidence level of 99.5 per cent. over a one-year period and covers existing business and all new business expected to be written over the next 12 months.

The Group has not utilised any transitional measures, except for the grandfathering of existing debt arrangements.

The Group considers a target operating range of 130 per cent. to 160 per cent. is appropriate for the Group's risk profile.

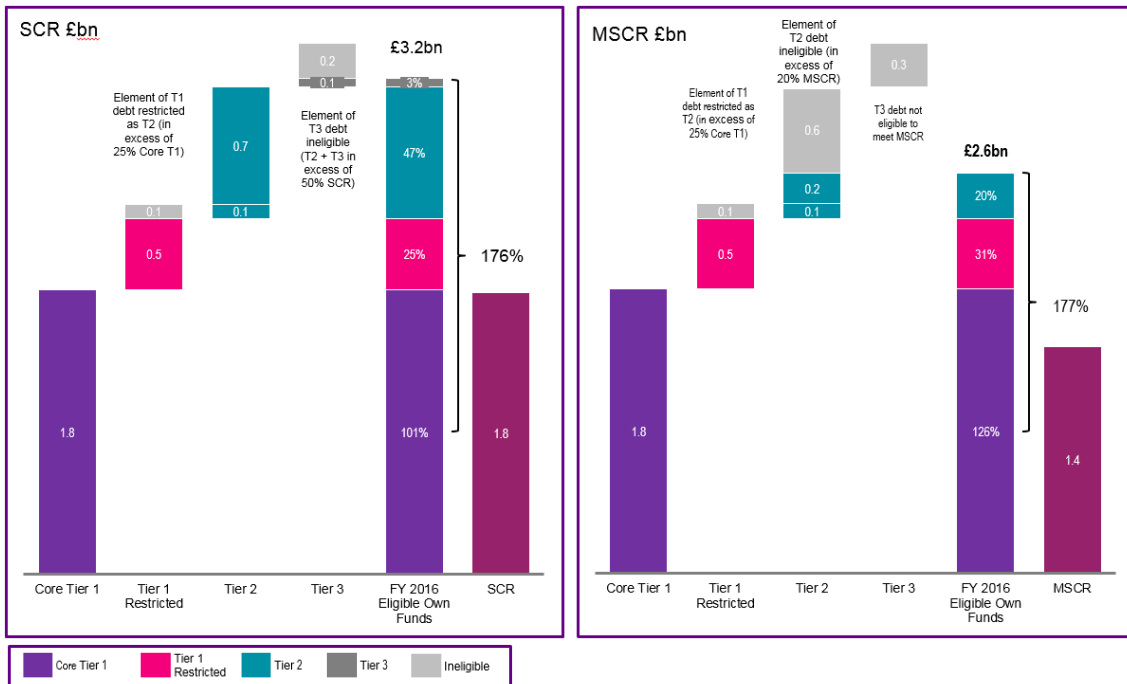
The Group's capital is well diversified by risk and by geography. The following graphs show the breakdown of the Group's SCR by risk driver.



¹ SCR allocation is based on the undiversified capital requirement

² The quantification of diversification within our Solvency II model depends on the choice of categories and the level of granularity.

The following graph shows the Group's Solvency II capital tiering for both SCR and MSCR as calculated following the disposal of £834 million of UK legacy liabilities announced on 7 February 2017



Capital sensitivity

As part of its operational planning process, the Group prepares a three year capital forecast along with a sensitivity analysis (based on the Group's approved Solvency II Internal Model). The Group's greatest sensitivities are to equity prices and credit spreads, primarily via their impact on the Group's Defined Benefit Pension Scheme. Through a de-risking of the Group's pension fund assets between 2012 and 2016, there has been a reduction in the volatility in the Group's capital requirement.

The table below show the Group's Solvency II sensitivities for the financial year ended 31 December 2016.

| Sensitivities ¹ | | |
|---|------------|------|
| Impact on surplus (£m) | | |
| 31 December 2016 | SCR | MSCR |
| Interest rates: +1% non-parallel shift ² | (50) to 50 | |
| Interest rates: -1% non-parallel shift ² | | |
| Equities: -15% ³ | (160) | |
| Foreign exchange: GBP +10% vs all currencies ⁴ | (70) | (20) |
| Cat loss of £75m net of reinsurance | (75) | |
| Credit spreads: -0.25% parallel shift | (230) | |

Notes:

¹ Sensitivities have been considered in isolation and exclude second order impacts from the application of Tier 1 eligibility rules. The impact of a combination of sensitivities may be different to the individual outcomes stated above

² Net impact of interest rates in particular reflects the balance of a largely hedged position between assets, liabilities and capital requirement and is therefore subject to variation

³ Fall in growth assets reflects 15% decline in equity component, 10% decline in non-equity

⁴ FX exposures reflect the difference between the impact on overseas risk on a 'sum of the parts' MSCR basis and on a diversified basis for the SCR

Capital management

Capital management strategy

The Group's capital management strategy is closely linked to its monitoring and management of risk. The Group's capital objectives consist of striking the right balance between the need to support claims liabilities and ensure the confidence of policyholders, limit exposure to other risks, support competitive pricing strategies, meet regulatory capital requirements, and provide adequate returns for its shareholders.

The Group's overall capital position is primarily comprised of shareholders' equity and subordinated loan capital and the Group aims to maximise shareholder value, while maintaining financial strength and adequate regulatory capital. The Group retains a measured approach to capital management, targeting a single 'A' capital rating with Standard & Poor's.

Dividend policy

The Group has a medium-term policy of between 40-50 per cent. payout of underlying profit, with additional payouts where justified.

Under Solvency II requirements, in order for the Issuer's Ordinary Shares to be counted towards the Group's own funds available to meet its capital requirements, any dividends declared by the Issuer must be fully discretionary and capable of being cancelled, withheld or deferred at any time prior to payment if the relevant capital requirements have been breached or payment of the dividend would lead to non-compliance with those requirements. Accordingly, any dividend will be declared on a conditional basis and the Directors reserve the right to cancel or defer the recommended dividend.

At the time of publication of these Listing Particulars, it is the intention of the Directors to take into account the relative ranking in the Issuer's capital structure of its Ordinary Shares and its outstanding restricted Tier 1 securities (including, but not limited to, the Notes) whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the Directors may depart from this policy at any time in their sole discretion.

Capacity to make dividend payments

Distributable Items as of 31 December 2016 for the Issuer are £1,222 million.

Pension fund

As at 31 December 2016 the Group had an IFRS reported net pension deficit of £197 million. The UK position deteriorated by £230 million during the year driven largely by adverse market movements (in particular tightening of credit spreads). Losses were partly offset by deficit funding contributions (£66 million pre-tax) and actual pension increases being lower than expected.

The majority of the Group's pension scheme assets and liabilities relate to two major defined benefit arrangements in the UK. The schemes were closed to new entrants in 2002 and will be closed to future accrual from 31 March 2017. The schemes have a cautious investment strategy, with the majority of assets held in bond-type assets that provide a stable stream of cashflows that match liability benefit payments. In particular:

- the overall level of equities and other "risk" assets in the schemes was reduced from around 30 per cent. to 15 per cent. between 2012 and 2016;
- the schemes have extensive hedging programmes in place, including interest rate and inflation swaps, to mitigate the risk of market movements adversely affecting financial position;
- in 2009, the schemes entered into arrangements that effectively removed all market and longevity risk associated with 55 per cent. of the liabilities relating to pensions in payment at that time;
- to further assist with Group balance sheet and capital stability, the schemes have invested around 35 per cent. of assets in high-quality credit, which helps match IAS19 liabilities as well as providing stable cashflows; and

- there is a strategic allocation of around 10 per cent. to high-quality illiquid assets (e.g. infrastructure and ground rents), which provides stable, often inflation-linked cashflows, along with additional return.

Market conditions and funding levels are also monitored on an ongoing basis to identify opportunities for further de-risking, and the Group is heavily involved in the pension scheme Trustees' investment decision-making process.

Capital metrics

Group SCR

The Group SCR is a risk responsive capital measure calibrated to ensure that the Group will be able to meet its obligations over the next 12 months with a probability of at least 99.5 per cent.

The Group's Solvency II Internal Model was approved by the PRA in December 2015 and forms the basis of the SCR measure.

Minimum Consolidated Group SCR

The MSCR is the sum of all Minimum Capital Requirements ("**MCRs**") for regulated entities across the Group, including those outside the Solvency II regime.

Conversion Trigger Event

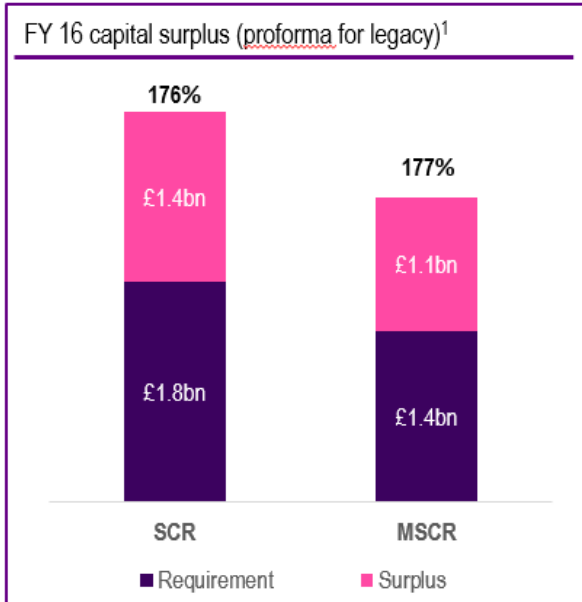
The Notes will be automatically converted into ordinary shares of the Issuer, at the Conversion Price specified in the Notes, on the occurrence of a Conversion Trigger Event. The Conversion Trigger Events in respect of the Notes reflect the requirements of Solvency II for tier 1 own fund items.

Article 71(8) of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Regulations**") specifies that a conversion trigger must occur when any of the following conditions (the "**trigger conditions**") are met in respect of the issuer of a tier 1 own fund item:-

- the amount of own fund items eligible to cover the SCR is equal to or less than 75% of the SCR; or
- the amount of own fund items eligible to cover the MCR is equal to or less than the MCR; or
- breach of the SCR, where compliance is not re-established within 3 months from the occurrence of the breach

The Solvency II Regulations specify that, for the purposes of determining whether a conversion trigger has occurred for an issuance of tier 1 own fund items by an insurance holding company, such as the Issuer, the SCR specified in the trigger conditions is the Group SCR and that the MCR specified in the trigger conditions is to be calculated in the same way as the MSCR.

The following table shows the ratios and absolute surplus of the own fund items eligible to cover the Group SCR and the MSCR, respectively, as at 31 December 2016. Positions include the pro forma benefit of the disposal of UK legacy liabilities as announced on 7 February 2017 (18 per cent. in Group SCR coverage terms).



Notes:

¹ FY 16 SCR surplus pre legacy was £1.1bn against a requirement of £1.8bn and MSCR surplus of £0.7bn against a requirement of £1.6bn

Restricted Tier 1 Issuance

On the Issue Date, in addition to issuing the Notes, the Issuer is also issuing SEK 2,500,000,000 Floating Rate Perpetual Restricted Tier 1 Contingent Convertible Notes.

MANAGEMENT

Directors of the Issuer

The following is a list of directors of the Issuer and their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Issuer, as at the date of these Listing Particulars. The business address of each of the directors referred to below is at 20 Fenchurch Street, London EC3M 3AU.

| Name | Position at the Issuer | Other significant directorships |
|------------------|------------------------------------|--|
| Martin Scicluna | Chairman | Great Portland Estates plc Worldpay Group plc |
| Stephen Hester | Group Chief Executive | Centrica plc |
| Scott Egan | Group Chief Financial Officer | - |
| Alastair Barbour | Independent Non-Executive Director | Liontrust Asset Management plc Standard Life Private Equity Trust plc Phoenix Life Holdings Limited Phoenix Group Holdings The Bank of N.T. Butterfield & Son Limited CATCo Reinsurance Opportunities Fund Ltd Markel CATco Reinsurance Fund Limited |
| Kath Cates | Independent Non-Executive Director | Brewin Dolphin Holdings plc Threadneedle Investment Services Limited Threadneedle Asset Management Holdings Sarl |
| Enrico Cucchiani | Independent Non-Executive Director | Think Global Investments LLP |

| | | |
|------------------|------------------------------------|--|
| | | Bocconi University |
| | | Piraeus Bank SA |
| Isabel Hudson | Independent Non-Executive Director | BT Group plc |
| | | Phoenix Group Holdings |
| | | National House Building Council |
| Hugh Mitchell | Independent Non-Executive Director | Edinburgh Business School |
| Joseph Streppel | Independent Non-Executive Director | Arq Foundation |
| | | Duisenberg School of Finance |
| | | Van Lanschot Bank |
| | | LeasePlan Corporation |
| | | Stichting Continuïteit Philips Lightning (Foundation Continuity Philips Lightning) non-listed |
| Martin Strobel | Independent Non-Executive Director | |
| Johanna Waterous | Independent Non-Executive Director | The Foundation and Friends of the Royal Botanic Gardens, Kew |
| | | RBG Kew Enterprises Limited |

A number of the directors of the Issuer hold directorships in other insurance companies. Occasionally, a matter may arise where there is a potential conflict of interest. In these circumstances, the relevant director is excluded from the relevant discussion and decision-making.

ESTIMATION TECHNIQUES, UNCERTAINTIES AND CONTINGENCIES

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the insurance contract liabilities of the company.

The insurance contract liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for losses and loss adjustment expenses. Unearned premiums and unexpired risks represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the end of the reporting period.

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by the end of the reporting period but have not yet been finally settled.

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances.

Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The Group's estimates of losses and loss expenses are reached after a review of several commonly accepted actuarial projection methodologies and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously settled claims, where payments to date are extrapolated for each prior year;
- estimates based upon a projection of claims numbers and average cost;

- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected loss ratios.

In addition, the Group uses other methods such as the Bornhuetter-Ferguson method, which combines features of the above methods. The Group also uses bespoke methods for specialist classes of business. In selecting its best estimate, the Group considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year. The process is designed to select the most appropriate best estimate.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The provisions for losses and loss adjustment expenses are subject to close scrutiny both within the Group's business units and at Group Corporate Centre. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. As an example, the Group's exposure to asbestos related losses is examined on this basis. The results of these reviews are considered when establishing the appropriate levels of provisions for losses and loss adjustment expenses and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance contract liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

The pension assets and pension and post retirement liabilities are calculated in accordance with International Accounting Standard 19 (IAS 19). The assets, liabilities and income statement charge, calculated in accordance with IAS 19, are sensitive to the assumptions made from time to time, including inflation, interest rate, investment return and mortality. IAS 19 compares, at a given date, the current market value of a pension fund's assets with its long-term liabilities, which are calculated using a discount rate in line with yields on 'AA' rated bonds of suitable duration and currency. As such, the financial position of a pension fund on this basis is highly sensitive to changes in bond rates and will also be impacted by changes in equity markets.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable;

- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring; and
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations and court judgements that broaden policy coverage beyond the intent of the original insurance, legislative changes and claims handling procedures.

The establishment of insurance contract liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Group's long tail lines of business. The Group seeks to provide appropriate levels of provisions for losses and loss adjustment expenses and provision for unexpired risks taking the known facts and experience into account.

The Group has exposures to risks in each class of business within each operating segment that may develop and that could have a material impact upon the Group's financial position. The geographic and insurance risk diversity within the Group's portfolio of issued insurance policies mean it is not possible to predict whether material development will occur and, if it does occur, the location and the timing of such an occurrence. The estimation of insurance contract liabilities involves the use of judgements and assumptions that are specific to the insurance risks within each territory and the particular type of insurance risk covered. The diversity of the insurance risks results in it not being possible to identify individual judgements and assumptions that are more likely than others to have a material impact on the future development of the insurance contract liabilities.

The sections below identify a number of specific risks relating to asbestos and environmental claims. There may be other classes of risk which could develop in the future and that could have a material impact on the Group's financial position.

The Group evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to manage such exposure to levels acceptable to the Group.

Asbestos and environmental claims

The estimation of the provisions for the ultimate cost of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of insurance business. As a result it is not possible to determine the future development of asbestos and environmental claims with the same degree of reliability as with other types of claims, particularly in periods when theories of law are in flux. Consequently, traditional techniques for estimating provisions for losses and loss adjustment expenses cannot wholly be relied upon and the Group employs specialised techniques to determine provisions

using the extensive knowledge of both internal asbestos and environmental pollution experts and external legal and professional advisors.

Factors contributing to this higher degree of uncertainty include:

- the long delay in reporting claims from the date of exposure (for example, cases of mesothelioma can have a latent period of up to 40 years). This makes estimating the ultimate number of claims the Group will receive particularly difficult;
- issues of allocation of responsibility among potentially responsible parties and insurers;
- emerging court decisions and the possibility of retrospective legislative changes increasing or decreasing insurer liability;
- the tendency for social trends and factors to influence court awards;
- developments pertaining to the Group's ability to recover reinsurance for claims of this nature; and
- for U.S. liabilities from the Group's London market business, developments in the tactics of U.S. plaintiff lawyers and court decisions and awards.

Potential change in discount rate for lump sum damages awards

Legislative changes may affect the Group's liability in respect of unsettled claims in the use of predetermined factors used by courts to calculate compensation claims. For example, in the UK, standard formulae are used as an actuarial measure by the courts to assess lump sum damages awards for future losses (typically loss of earnings arising from personal injuries and fatal accidents). The calibration of these standard formulae can be updated by the UK Government and the Lord Chancellor may review the methodology to be applied in determining the discount rate to calculate the appropriate settlements, or the discount rate itself, in due course. A reduction in the prescribed discount rate would increase the value of future claims settlements.

Potential credit risk for structured settlements

In Canada the Group has purchased annuities from regulated Canadian life insurers in order to pay fixed and recurring payments to certain claimants. This arrangement exposes the Group to credit risk in the event that the life insurers are unable to make these payments which is mitigated by an industry compensation scheme which in that event would assume a significant majority of the remaining outstanding obligations. The likelihood of both a Canadian regulated life insurer and the industry compensation scheme being unable to pay their obligations is considered very remote and so no provision has been recognised in respect of this risk.

For details of further relevant risks to which the Group is exposed, in particular acquisition and disposals risk, contracts with third parties, litigation, disputes and investigations, reinsurance risk, investment risk, the rating environment, foreign exchange risk and the regulatory environment, please see "Risk Factors". In addition, there may be other classes of risks which could develop in the future and that could have a material impact on the Group's financial position.

DESCRIPTION OF THE ORDINARY SHARES

1. Share Capital

The Issuer's share capital currently consists of its ordinary shares of £1.00 each in the capital of the Issuer (the "**Ordinary Shares**") and its 7.375 per cent. cumulative preference shares of £1.00 each (the "**Preference Shares**").

As at the close of business on 17 March 2017, the number of outstanding shares in the Issuer was as follows:

| Class of Share | Number |
|-----------------------|---------------|
| Ordinary Shares | 1,020,165,729 |
| Preference Shares | 125,000,000 |

2. Memorandum and Articles of Association

The Issuer's articles of association (the "**Articles**") were adopted by special resolution of the Issuer on 6 May 2016. A summary of the material provisions of the Articles in respect of the Ordinary Shares is set out below. As resolved at the annual general meeting of the Issuer held on 17 May 2010 and in accordance with changes in English company law with effect from 1 October 2009, the Issuer deleted all provisions of its Memorandum of Association which, by virtue of Section 28 of the Companies Act, are to be treated as part of the Articles, including those provisions dealing with the Issuer's objects.

3. Objects of the Issuer

The objects of the Issuer are unrestricted.

4. General

There are no limitations imposed by English law or the Articles restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

5. Shares

Ordinary Shares shall rank *pari passu* in all respects with each other and have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles.

6. Voting Rights

Holders of the Ordinary Shares will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the Companies Act 2006 (the "Companies Act"). The Companies Act provides that:

- (i) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant member to vote in the way that the proxy decides to exercise that discretion; and
- (ii) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any special terms as to voting which are given to any shares or on which shares are held.

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Issuer with information concerning interests in those shares required to be provided under the applicable statutes (in this section, the Companies Act).

7. General Meetings

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. Under the Companies Act, an annual general meeting must be called by notice of at least 21 days. The Issuer is a "traded company" for the purposes of the Companies Act 2006 and as such is required to give at least 21 days' notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting.

Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website, and must be sent to every member and every director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the Issuer is a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a

notice calling an annual general meeting must state that the meeting is an annual general meeting. Accidental omission to give any notice of a meeting to any person entitled to receive it shall not invalidate the proceedings at that meeting. Save as otherwise provided, three members present in person or by proxy entitled to vote shall be a quorum at a general meeting. Each director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting.

8. Dividends

It is the Board's policy to review the profits available for distribution, and the level of dividend (if any) payable, on a regular basis (acting in accordance with the Companies Act, the Articles and relevant regulatory requirements).

Subject to the provisions of the Companies Act, the Articles and regulatory requirements, the Issuer may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act 2006, the Articles and regulatory requirements, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

Dividends are payable to persons registered as Shareholders on the record date relating to the relevant dividend.

All dividends will be divided and paid in proportions based on the amounts paid up on the Ordinary Shares during any period for which the dividend is paid.

If a Shareholder owes the Issuer any money for calls on shares or money in any other way relating to his/her shares, the Directors can deduct any of this money from any dividend or other money payable to the Shareholder on or in respect of any share held by him/her. Money deducted in this way can be used to pay amounts owed to the Issuer.

The Issuer may pay any dividend or other monies payable in cash in respect of shares by direct debit, bank or other funds transfer system (subject always, in the case of uncertificated shares, to the facilities and requirements of the relevant system concerned, where payment is to be made by means of such system). The Issuer may also pay by cheque, dividend warrant or money order and may remit the same by post directed to the registered address of the holder or person entitled thereto (or, in the case of joint holders or of two or more persons entitled thereto, to the registered address of the person whose name stands first in the register of members), or to such person and to such address as the holder or joint holders or person or persons may in writing direct. The Issuer will not be responsible for any loss of any such cheque, warrant or order nor for any loss in the course of any such transfer or where it has acted on any such directions. Any one of two or more joint holders of any share, or any one of two or more persons entitled jointly to a

share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, may give effectual receipts for any dividends or other monies payable or property distributable on or in respect of the share.

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other monies payable on or in respect of a share will bear interest against the Issuer.

If a dividend or other money has not been claimed for 12 years after being declared or becoming due for payment, it will be forfeited and go back to the Issuer.

9. Variation of Rights

Subject to the Companies Act, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

10. Transfer of Shares

Any shares in the Issuer may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares by means of a relevant system, with any provision of the legislation and rules relating to uncertificated shares or with the Issuer doing anything by means of a relevant system.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

The board can decline to register any transfer of any share which is not a fully paid share. The board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (i) is duly stamped or certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is accompanied by the relevant

share certificate and such other evidence of the right to transfer as the board may reasonably require;

- (ii) is in respect of only one class of share; and
- (iii) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The board may decline to register a transfer of any of the Issuer's certificated shares by a person with a 0.25 per cent. interest in the Issuer's issued shares if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Issuer with information concerning interests in those shares required to be provided under the Companies Act, unless the transfer is shown to the board to be pursuant to an arm's length sale (as defined in the Articles).

11. Disclosure of Holdings Exceeding Certain Percentages

The Disclosure and Transparency Rules of the FCA require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in at least 0.25 per cent. in number or nominal value of the Issuer's issued shares or of any class of such shares has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and in relation to those shares (the "default shares") has failed to supply the information requested within the period set out in the notice, then unless the Board otherwise determines, the shareholder is not entitled to be present at or to vote the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. The Board may withhold payment of all or any part of any dividend payable in respect of the default shares and may decline to register a transfer of those shares, except in limited circumstances.

12. Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules

The Issuer is subject to The City Code on Takeovers and Mergers (the "**City Code**"). Other than as provided by the City Code and Chapter 3 of Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Ordinary Shares.

13. Untraced Members

The Issuer shall be entitled to sell, at the best price reasonably obtainable at the time, any of its issued shares if: (i) the shares have been issued for a period of at least 12 years and at least three cash dividends have become payable on the shares during that period; (ii) no cash dividend payable on the shares has been claimed during that period; (iii) so far as the Board is aware, the Issuer has not received any communication from the holder of, or person entitled by transmission to, the shares during the relevant period; and (iv) the Issuer has published newspaper advertisements stating its intention to sell the shares in accordance with the Articles. The Issuer shall become indebted to the former holder of, or person entitled by transmission to, the shares for an amount equal to the net proceeds of the disposal of the relevant shares.

14. Forfeiture and Lien

If any call or instalment of a call remains unpaid on any share after due date, the Board may serve a notice on the holder requiring payment of so much of the call or instalment as is unpaid, together with any accrued interest and any expenses incurred by the Issuer by reason of such non-payment. If the notice is not complied with, any share in respect of which it was given may be forfeited. Until cancelled in accordance with the requirements of the Companies Act, a forfeited share shall be deemed to be the property of the Issuer and may be sold or otherwise disposed of either to the person who was, before forfeiture, the holder or to any other person upon such terms and in such manner as the Board shall decide.

The Issuer shall have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the Issuer (whether presently or not) in respect of that share. The Issuer may sell, in such manner as the board may decide, any share on which the Issuer has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after a notice has been served on the holder of the share or the person who is entitled by transmission to the share. The net proceeds of the sale by the Issuer of any share on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as it is presently payable, and any residue shall be paid to the person who was entitled to the share at the time of the sale.

15. Winding-Up

On a winding-up of the Issuer, holders of the Preference Shares have the right to receive out of assets available for distribution to members, in priority to any payment to holders of Ordinary Shares, an amount equal to the nominal amount of the Preference Share together with such premium (if any) as may be determined by the Board prior to the allotment thereof and all arrears and accruals (if any) of the dividend payable thereon.

On a winding-up of the Issuer, the Ordinary Shares rank equally in all respects and distributions of the Issuer's assets to holders of Ordinary Shares will be made in accordance with applicable insolvency laws.

16. Admission to Trading of the Ordinary Shares

The Ordinary Shares are listed on the Official List of the UK Listing Authority and are admitted to trading on the Main Market of the London Stock Exchange's regulated market for listed securities (established in 1698). The UK Listing Authority is the competent authority in respect of the listing of securities on the London Stock Exchange's regulated market. On 17 March 2017, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £10,469,486,344. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Ordinary Shares is GB00BKKMKR23. Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

REGULATORY ENVIRONMENT

The main subsidiary in the Group, Royal & Sun Alliance Insurance plc (“**RSAI**”) is an insurance company authorised in the United Kingdom by the PRA and is subject to the Financial Services and Markets Act 2000 (the “**FSMA**”). Together with the other UK domiciled insurers within the Group, RSAI is dual-regulated, i.e. it is subject to regulation and supervision by both the PRA (as regards prudential and organisational requirements) and the FCA (as regards conduct of business requirements). As well as regulating the UK insurance companies within the Group, the PRA has direction over the parent undertaking and, as all other subsidiaries in the Group sit directly or indirectly under RSAI, the PRA acts as the group supervisor. The FCA has responsibility for regulating conduct of business activities carried out in the UK only.

In addition to FSMA, UK domiciled insurers must also comply with the rules and guidance of the PRA and the FCA under FSMA. Important sources of these rules and guidance are set out in the PRA Rulebook (the “**PRA Rulebook**”) and the FCA Handbook of Rules and Guidance (the “**FCA Handbook**”).

The Group’s principal insurance operations are in the UK, Canada, Denmark and Sweden. Various companies within the Group are subject to regulation by government agencies in the jurisdictions in which they operate. The nature and extent of such regulation varies from jurisdiction to jurisdiction.

UK Regulatory Environment

The PRA and the FCA have extensive powers to supervise and intervene in the affairs of the firms they are responsible for regulating, for example, if they consider it appropriate in order to protect policyholders against the risk that the firm may be unable to meet its liabilities as they fall due, that the Threshold Conditions (see further below) may not be met, that the firm or its parent has failed to comply with obligations under the relevant legislation or rules, that the firm has furnished them with misleading or inaccurate information or that there has been substantial departure from any proposal or forecast submitted to the relevant regulator.

The PRA and the FCA also have the power to take a range of informal and formal disciplinary or enforcement actions in relation to a breach by a firm of FSMA or the rules in the PRA Rulebook or FCA Handbook, including private censure, public censure, restitution, fines or sanctions and the award of compensation. The PRA (or FCA where relevant) may also cancel or vary (including by imposing limitations on) the firm’s authorisation, including in the case of an insurer cancelling permission to write new policies, thereby putting the firm into run-off.

The Financial Services Act 2012 also conferred new powers on the PRA and FCA. For example, the PRA has the following powers that can, in certain circumstances, be applied directly to qualifying parent undertakings where those parent undertakings are not themselves regulated:

- (a) power of direction;
- (b) a rule-making power for information gathering; and
- (c) a supporting disciplinary power to fine or censure a qualifying parent undertaking for breaches of a direction or an information rule.

Permission to Transact Business

Subject to the exemptions provided in FSMA, no person may effect or carry out contracts of insurance (referred to below as carrying on “**insurance business**”) in the United Kingdom unless authorised to do so under FSMA by the PRA. The PRA has authority to grant regulatory permission to provide insurance for one or more of the classes of business recognised by the EU insurance directives. In deciding whether to grant authorisation, both the PRA and the FCA are required to determine whether the applicant satisfies the requirements of FSMA, including the applicant’s ability to meet a set of “Threshold Conditions”. These are the minimum conditions that must be satisfied (both at authorisation and on an ongoing basis) in order for a firm to gain and to continue to have permission to undertake regulated activities in the United Kingdom. The PRA and FCA are each responsible for assessing a set of Threshold Conditions. At a high level, the PRA Threshold Conditions require an insurer’s head office to be in the UK, for the business to be conducted in a prudent manner (and in particular that it maintains appropriate financial and non-financial resources), that the insurer is fit and proper and appropriately staffed and that its group is capable of being effectively supervised.

Although there is a degree of cross-over with the FCA’s Threshold Conditions, the FCA considers them from a customer perspective and in addition includes a condition relating to the insurer’s business model and the need for the strategy for doing business to be suitable for its regulated activities. As dual-regulated firms, insurance companies are required to satisfy both the PRA’s as well as the FCA’s Threshold Conditions.

Once authorised, in addition to continuing to meet the Threshold Conditions for authorisation, firms are also required to comply with the high level Fundamental Rules (for the PRA) and Principles for Businesses (for the FCA) and the requirements of the PRA Rulebook and FCA Handbook (see further below).

FCA Handbook and PRA Rulebook

The FCA’s approach to regulation and the standards it requires firms to maintain are set out in the FCA Handbook. Similarly, the PRA Rulebook sets out the PRA’s rules and other provisions. FSMA, the FCA Handbook and the PRA Rulebook and secondary legislation made under FSMA are also used to implement the requirements contained in a number of EU Directives (applicable throughout the EEA) relating to financial services and to insurance business in particular.

Solvency II

Solvency II is the EU-wide regime for the prudential regulation of insurance and reinsurance undertakings. Originally adopted by the European Parliament and Council in 2009, Solvency II became effective on 1 January 2016. Solvency II is a framework directive; most of the details of the rules are set out in the Solvency II Regulations. Solvency II has been transposed into national law; in the UK, this has been done primarily through the PRA Rulebook. The European Insurance and Occupational Pensions Authority (“**EIOPA**”) has issued supervisory standards, recommendations and guidelines intended to enhance convergent and effective application of Solvency II and to facilitate cooperation between national supervisors. EIOPA guidance is not binding on supervisory authorities although there is a ‘comply or explain’ requirement in relation to the guidance. The PRA has confirmed that it intends to comply with the EIOPA guidelines.

One of the key aims of Solvency II is to introduce a harmonised prudential framework for insurers promoting transparency, comparability and competitiveness amongst European insurers.

Solvency II has three pillars that have impacted how RSA manages risk and how it reports to regulators, policyholders and shareholders:

- Pillar I relates to the quantitative requirements and introduces a risk based methodology to calculating the Group's SCR. Insurers are required to calculate the level of capital required based on their unique risk profile. For RSA this is calculated using our own Internal Model that was approved by the PRA on 5 December 2015.
- Pillar II incorporates qualitative governance requirements, including the way the risk management function operates within the business and how key systems and controls are documented and reviewed.
- Pillar III relates to enhanced and standardised disclosure requirements, including increased transparency of the risk strategy and risk appetite of the business.

Solvency II classifies different forms of capital into three 'tiers' which distinguish between forms of capital based on its ability to absorb losses. Tier 1 capital, such as common equity and retained earnings, is the highest quality of capital and must be able to absorb losses on a day-to-day, 'going-concern' basis. Tier 2 capital, such as subordinated debt, is of a lower quality and only needs to absorb losses on insolvency. Tier 3 capital is the lowest quality of capital permitted and has only limited loss-absorbing capacity.

As well as calculating the SCR, insurers must also calculate the MCR. The MCR is the quantity of capital below which policyholders would be exposed to an unacceptable level of risk which would result in withdrawal of the insurer's authorisation by the regulator. Together, the SCR and MCR act as trigger points in the 'supervisory ladder of intervention' introduced by Solvency II.

In the coming years Solvency II will continue to develop and inform the way the Group manages risk and capital. In 2017 the Group will, for the first time, report its Solvency and Financial Condition Reports ("**SFCR**"), which will provide a standardised disclosure of performance, risk management and capital position.

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). Any Noteholders who are in doubt as to their own tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

United Kingdom Taxation

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs) and relate only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes and the United Kingdom stamp tax implications of the transfer of the Notes. It does not deal with any other United Kingdom tax implications of acquiring, holding or disposing of Notes. The comments in this part relate only to the position of persons who are the absolute beneficial owners of the Notes. The statements below do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

Withholding of tax on interest

The Taxation of Regulatory Capital Securities Regulations 2013 (the "**2013 Regulations**") provide an exemption such that payments of interest by the Issuer on the Notes can be made without withholding or deduction for or on account of United Kingdom income tax so long as the Notes qualify, or have qualified, as (i) Restricted Tier 1 Instruments or (ii) Restricted Tier 2 Instruments. This is subject to there being no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the 2013 Regulations in respect of the Notes (the "**Anti-avoidance Condition**").

Irrespective of whether interest may be paid by the Issuer without withholding or deduction for or on account of United Kingdom tax in accordance with the 2013 Regulations, while the Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act ("**ITA**"), payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The GEM is a recognised stock exchange for these purposes. The Notes will be treated as listed on a recognised stock exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange.

In all other cases interest on the Notes will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any available exemptions. In addition, 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 Noteholder, the Noteholder can apply to HM Revenue &

Customs to issue a notice to the Issuer to pay interest to the Noteholder without any withholding or deduction for or on account of tax (or for interest to be paid with tax withheld or deducted at the rate provided for in the relevant double tax treaty).

For the purposes of this section:

“Restricted Tier 1 Instrument” means an item listed in point (a)(iii) or (b) or Article 69 of the Commission Delegated Regulation (EU) 2015/35 as amended from time to time (the **“CDR”**) which is a Tier 1 item under (i) Article 69 or 79 of the CDR or (ii) rule 4.1 in the Annex to the PRA Rulebook: Solvency II Firms: Transitional Measures Instrument 2015(c) (the **“Transitional Instrument”**); and

“Restricted Tier 2 Instrument” means an item listed in point (a)(iii) or (b) or Article 72 of the CDR which is a Tier 2 item under (i) Article 72 or 79 of the CDR or (ii) rule 4.2 in the Annex to the Transitional Instrument.

Stamp duty and Stamp Duty Reserve Tax

The transfer of Notes that are “regulatory capital securities” for the purposes of the 2013 Regulations as set out above and which satisfy the Anti-avoidance Condition is exempt from United Kingdom stamp duty and Stamp Duty Reserve Tax.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (**“foreign passthru payments”**) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into intergovernmental agreements with the United States to implement FATCA (**“IGAs”**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the UK IGA as currently in effect, a foreign financial institution would generally not be required to withhold from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to certain instruments, including whether withholding would ever be required with respect to payments on such instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments, such withholding would not apply prior to 1 January 2019. In addition, the Issuer is not, as at the date of these Listing Particulars, a foreign financial institution for the purposes of the UK IGA, and consequently the Issuer does not expect to be required to impose FATCA withholding on payments it makes under the Notes. Nonetheless, Noteholders should consult their own tax advisers if they are in any doubt as to how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Danske Bank A/S and HSBC Bank plc (together, the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 23 March 2017, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (A) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (B) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

None of the Issuer or any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of these Listing Particulars (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply, to the best of its knowledge and belief, with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes these Listing Particulars (in preliminary, proof or final form) or any such other material, in all cases at its own expense. No Joint Lead Manager has been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in these Listing Particulars or any amendment or supplement to them.

GENERAL INFORMATION

This document has been approved by the Irish Stock Exchange as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the GEM which is the exchange regulated market of the Irish Stock Exchange. The GEM is not a regulated market for the purposes of Directive 2004/39/EC.

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 21 February 2017 and resolutions of a committee of the board of directors of the Issuer passed on 2 March 2017.

At a general meeting of the Issuer held on 6 May 2016, the Directors were authorised to allot ordinary shares or grant rights to subscribe for, or to convert any security into, ordinary shares in the Issuer up to an aggregate nominal amount of £200,000,000.

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2016.

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2015.

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 these Listing Particulars which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code is 158499789 and the International Securities Identification Number (ISIN) is XS1584997891. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

The Issuer's 2015 Annual Financial Statements have been audited by KPMG LLP of 15 Canada Square, London E14 5GL, United Kingdom ("**KPMG**"), chartered accountants (a member of the Institute of Chartered Accountants in England and Wales) as registered auditors of the Issuer for such financial year and an unqualified opinion has been given thereon. The Issuer's 2014 Annual Financial Statements have been audited by KPMG as chartered accountants and registered auditors of the Issuer and an unqualified opinion has been given thereon.

Paper copies of the following documents will be available, during usual business hours on any weekday (public holidays excepted), for physical inspection at the office of the Principal Paying

and Conversion Agent while the Notes remain outstanding and admitted to the Official List and to trading on GEM:

- (A) the Articles of Association of the Issuer;
- (B) the Issuer's Annual Financial Statements;
- (C) the Trust Deed;
- (D) the Agency Agreement; and
- (E) a copy of these Listing Particulars together with any supplement to these Listing Particulars or further Listing Particulars.

These Listing Particulars will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or the Issuer's affiliates in the ordinary course of business.

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