



**PRUDENTIAL**

**Prudential plc**

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

as Issuer

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### Issue of GBP 600,000,000 5.00 per cent. Dated Tier 2 Notes due 2055

The £600,000,000 5.00 per cent. Dated Tier 2 Notes due 2055 (the "Notes") are to be issued by Prudential plc (the "Issuer") under its £5,000,000,000 Medium Term Note Programme (the "Programme").

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, ranking junior to the claims of Dated Tier 2 Senior Creditors (as defined herein) but ranking at least pari passu with all other obligations of the Issuer which constitute, or which would, but for any applicable limitation on the amount of such capital, constitute Lower Tier 2 Capital (as defined herein) and in priority to those whose claims constitute or would, but for any applicable limitation on the amount of such capital, constitute Existing Upper Tier 2 Capital or Tier 1 Capital (each as defined herein) and in priority to the claims of all classes of share capital of the Issuer, as further set out in the terms and conditions of the Notes which are set out herein under "Terms and Conditions of the Dated Tier 2 Notes" as supplemented by the final terms of the Notes set out in "*Final Terms of the Notes*" (the "Final Terms").

The Notes will bear interest from (and including) 9 June, 2015 (the "Issue Date") to (but excluding) 20 July, 2035 (the "First Optional Call Date") at a fixed rate of 5.00 per cent. per annum. From and including the First Optional Call Date and every five years thereafter, the interest on the Notes will be reset on the business day preceding the first day of the relevant five year period and the Notes will bear interest at a fixed rate equal to the Subsequent Reset Reference Rate (as defined herein and determined by reference to the Reference Bond (as defined herein)) plus the sum of 2.60 per cent. and a step-up margin of 1.00 per cent. ("Reset Rate Interest"). Interest will be payable in arrear on 20 January and 20 July in each year, from and including 20 July, 2015 (each an "Interest Payment Date").

All payments will be subject to the Solvency Condition and the Solvency Capital Requirement (each as defined herein), as described in Condition 3.1(a) and 3.2 respectively in "*Terms and Conditions of the Dated Tier 2 Notes*". The Issuer may elect to defer payments of interest on any Interest Payment Date which is not a Compulsory Interest Payment Date (as defined herein) as described in Condition 4.1B in "*Terms and Conditions of the Dated Tier 2 Notes*". Redemption of the Notes, including on the Maturity Date (as defined below), may be deferred where an Insolvent Insurer Winding-up (as defined herein) has occurred and is continuing as described in Condition 7.2 in "*Terms and Conditions of the Dated Tier 2 Notes*".

Subject to any early redemption, substitution, variation, conversion, purchase and cancellation or exchange, the Notes will be redeemed on the Interest Payment Date falling on 20 July, 2055 (the "Maturity Date") at 100 per cent. of their nominal amount. The Notes may, at the Issuer's election, be redeemed early on the Optional Call Date or on each Interest Payment Date thereafter at 100 per cent. of their nominal amount. Additionally, the Notes may, at the Issuer's election be redeemed early at 100 per cent. of their nominal amount plus accrued interest (if any) for tax reasons at any point after the fifth anniversary of the date of the issue of the Notes. Upon the occurrence of a Regulatory Event (as defined herein) occurring after the fifth anniversary of the date of issue of the Notes, the Notes may, at the Issuer's election be redeemed early at 100 per cent. of their nominal amount plus accrued interest (if any) or the Notes may, at the Issuer's election, be substituted for, or varied so that they are treated as Qualifying Tier 2 Capital for regulatory reasons. Upon the occurrence of a Regulatory Event or a Tax Event (each as defined herein) occurring prior to the fifth anniversary of the date of issue of the Notes, the Notes may, at the Issuer's election, be redeemed early at 100 per cent. of their nominal amount plus accrued interest (if any) provided that, to the extent required by the Capital Regulations or Solvency II Regulations (each as defined herein), or unless otherwise indicated to the Issuer by the Prudential Regulatory Authority or its successor (the "PRA"), such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

The Issuer and its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Except as otherwise indicated to the Issuer by the PRA, any redemption, substitution, variation, conversion, purchase, or cancellation is subject to the Issuer having given prior notice to the PRA and, to the extent required by the regulations applicable to the Issuer, the PRA having given its prior approval or consented in the form of a waiver or otherwise to such redemption, substitution, variation, conversion or purchase. Any redemption, substitution, variation, conversion or purchase may only be effected if on, and immediately following, the proposed date of redemption, substitution, variation, conversion or purchase, as the case may be, the Issuer is in compliance with the Regulatory Capital Requirement, the Solvency Condition and the Solvency Capital Requirement is met and no Insolvent Insurer Winding-up has occurred and is continuing or, in each case, as otherwise permitted by the PRA. The PRA may impose other conditions on any redemption or purchase at the relevant time.

The Notes will be in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 and will initially be represented by a temporary global Note, exchangeable for a permanent global Note not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. The global Notes will be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV and Clearstream Banking, société anonyme. Definitive Notes will be issued only in certain circumstances.

Application has been made to the Financial Conduct Authority (the "FCA") in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") (the "UK Listing Authority") for the Notes to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). The Market is a regulated market for the purposes of

European Council Directive 2004/39/EC. References in this drawdown prospectus (the "Drawdown Prospectus") to 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 the Market.

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

The Notes are expected to be rated A- by Standard & Poor's Credit Market Services Europe Limited, A3 by Moody's Investors Service Limited and BBB+ by Fitch Ratings Ltd., each of which is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd. are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States and the Notes may not be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and applicable state securities laws is available. Accordingly, the Notes are being offered and sold to certain persons outside the United States in accordance with Regulation S under the Securities Act.

### **Joint Bookrunners**

BNP PARIBAS

Deutsche Bank

Goldman Sachs International

HSBC

J.P. Morgan

RBC Capital Markets

## IMPORTANT INFORMATION

This Drawdown Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). The Issuer has confirmed to each of BNP Paribas, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc and RBC Europe Limited (together, the "Joint Bookrunners"), in the context of the Notes, that this Drawdown Prospectus (which term as expressed below should be read and construed with, *inter alia*, any document incorporated by reference herein which includes, *inter alia*, the Prospectus (as defined below)) contains all such information as is necessary to enable investors to make an informed assessment of: (a) the assets and liabilities, financial position, profits and losses and prospects of the Issuer; and (b) the rights attaching to the Notes, that this Drawdown Prospectus is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions and that there are no other facts in relation thereto the omission of which would, in the context of the Notes, make any statement in this Drawdown Prospectus or the opinions or intentions expressed herein misleading in any material respect, and all reasonable enquiries have been made to verify the foregoing.

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

The aggregate nominal amount of the Notes, the interest payable in respect of the Notes, the issue price of the Notes and certain other information which is applicable to the Notes will be set out in a final terms document (the "Final Terms") which will be delivered to the UK Listing Authority and the London Stock Exchange. The form of Final Terms is set out herein.

Copies of the Final Terms will be available for viewing on weekdays during normal business hours from the registered office of the Issuer and the specified offices of The Law Debenture Trust Corporation p.l.c. (the "Trustee") and Citibank N.A. being the Issue and Paying Agent for the time being in London and set out at the end of the Prospectus. In addition, copies of the Final Terms will be published on the website of the Regulatory News Service operated by the London Stock Exchange.

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

No person has been authorised by the Issuer, any Joint Bookrunner or the Trustee to give any information or to make any representation not contained in or not consistent with this Drawdown Prospectus or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Joint Bookrunner or the Trustee.

No representation or warranty is made or implied by the Joint Bookrunners or the Trustee or any of their respective affiliates, and neither the Joint Bookrunners nor the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Drawdown Prospectus or the Final Terms. Neither the delivery of this Drawdown Prospectus nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Drawdown Prospectus is accurate subsequent to the date hereof or that there has been no adverse change in the financial situation of the Issuer since the date hereof or, if later, the date upon which this Drawdown Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time

subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS DRAWDOWN PROSPECTUS AND OFFERS OF NOTES GENERALLY

The distribution of this Drawdown Prospectus and the Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Drawdown Prospectus or the Final Terms comes are required by the Issuer, the Joint Bookrunners and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Drawdown Prospectus or the Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. This Drawdown Prospectus has not been submitted for clearance to the *Autorité des marchés financiers* in France.

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

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

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

Neither this Drawdown Prospectus nor the Final Terms constitutes an offer or an invitation to subscribe for or purchase the Notes and should not be considered as a recommendation by the Issuer, the Joint Bookrunners, the Trustee or any of them that any recipient of this Drawdown Prospectus or the Final Terms should subscribe for or purchase the Notes. Each recipient of this Drawdown Prospectus or the Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

## RATINGS

The Notes are expected to be rated A- by Standard & Poor's, A3 by Moody's and BBB+ by Fitch.

As at the date of this Drawdown Prospectus:

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

Jackson National Life Insurance Company's ("Jackson") financial strength is rated AA by Standard & Poor's Financial Services LLC and Fitch, Inc., A1 by Moody's Investors Service, Inc. and A+ by A.M. Best. The Moody's, Standard & Poor's, Fitch and A.M. Best ratings are on stable outlook.

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

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

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

## **STABILISATION**

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

## DOCUMENTS INCORPORATED BY REFERENCE

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The following documents, which have previously been published or are published simultaneously with this Drawdown Prospectus and have been filed with the FCA (the "Filed Documents"), shall be deemed to be incorporated in, and to form part of, this Drawdown Prospectus:

- (1) the Base Prospectus dated 21 November, 2014 relating to the Programme (the "Prospectus"), except that the following sections shall not be deemed to be incorporated in, and shall not form part of, this Drawdown Prospectus:
  - (i) the section entitled "Summary of the Programme" on pages 14 to 32 thereof;
  - (ii) the section entitled "Risks relating to the structure of a particular issue of Notes" on pages 42 to 48 thereof;
  - (iii) the sections entitled "Terms and Conditions of Senior Notes", "Terms and Conditions of Dated Tier 2 Notes", "Terms and Conditions of Undated Tier 2 Notes", "Terms and Conditions of Tier 1 Notes" on pages 55 to 234 thereof; and
  - (iv) the section entitled "Forms of Final Terms" on pages 274 to 295 thereof.
- (2) the Supplemental Prospectus dated 26 May, 2015 relating to the Programme, the purpose of which was to:
  - (i) incorporate by reference the first quarter 2015 interim management statement of the Issuer for the three months ended 31 March, 2015 into the Prospectus (which is separately incorporated by reference in this Drawdown Prospectus by virtue of paragraph (4) below);
  - (ii) update the Risk Factor entitled "*Capital Adequacy Condition*" on page 44 of the Prospectus to include up-to-date financial ratios; and
  - (iii) update the Prospectus to reflect certain changes to the Board of Directors of the Issuer;
- (3) the annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2013 and the annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2014; and
- (4) the first quarter 2015 interim management statement of the Issuer for the three months ended 31 March, 2015,

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

Any documents and/or information themselves incorporated by reference in the documents incorporated by reference in this Drawdown Prospectus shall not form part of this Drawdown Prospectus.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Drawdown Prospectus.



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

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

The tables below set out the page number references for certain sections of the Filed Documents. The sections denoted by those page number references form part of this Drawdown Prospectus and are referred to in this Drawdown Prospectus as the "information incorporated by reference".

#### Base Prospectus dated 21 November, 2014 relating to the Programme

Information incorporated by reference into this Drawdown Prospectus	Page numbers in Base Prospectus dated 21 November, 2014 relating to the Programme
Risk Factors	<p>Page 33-52 (but excluding the section entitled "Risks relating to the structure of a particular issue of Notes" on pages 42 to 48 thereof)</p> <p><i>Note: The Risk Factor on page 44 of the Prospectus entitled "Capital Adequacy Condition" was supplemented by way of the Supplemental Prospectus dated 26 May, 2015 relating to the Programme, which is incorporated by reference in, and forms part of, this Drawdown Prospectus.</i></p>
Provisions relating to the Notes while in Global Form	Page 235
Use of Proceeds	Page 241
Book-entry Clearance Systems	Pages 242 to 247
Prudential plc	<p>Pages 248 to 262</p> <p><i>Note: The section of the Prospectus entitled "Directors of Prudential" on page 254 of the Prospectus was supplemented by way of the Supplemental Prospectus dated 26 May, 2015 relating to the Programme, which is incorporated by reference in, and forms part of, this Drawdown Prospectus.</i></p>
Taxation	Pages 263 to 264
Subscription and Sale	Pages 265 to 273
General Information	Pages 296 to 298

**Annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2013**

<b>Information incorporated by reference into this Drawdown Prospectus</b>	<b>Page numbers in "Annual Report and Accounts 2013"</b>
Consolidated income statement	Page 127
Consolidated statement of comprehensive income	Page 128
Consolidated statement of changes in equity	Pages 129 to 130
Consolidated statement of financial position	Pages 131 to 132
Consolidated statement of cash flow	Page 133
Notes on financial statements	Pages 134 to 280
Independent auditor's report to the members of Prudential plc	Page 291 to 293

**Annual report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2014**

<b>Information incorporated by reference into this Drawdown Prospectus</b>	<b>Page numbers in "Annual Report and Accounts 2014"</b>
Consolidated income statement	Page 123
Consolidated statement of comprehensive income	Page 124
Consolidated statement of changes in equity	Pages 125 to 126
Consolidated statement of financial position	Pages 127 to 128
Consolidated statement of cash flows	Page 129
Notes on financial statements	Pages 130 to 260
Independent auditor's report to the members of Prudential plc	Page 271 to 273

**First quarter 2015 interim management statement of the Issuer for the three months ended 31 March, 2015**

<b>Information incorporated by reference into this Drawdown Prospectus</b>	<b>Page numbers in "first quarter 2015 interim management statement of the Issuer for the three months ended 31 March, 2015"</b>
Business Unit Review	Pages 3 to 6
Q1 2015 Business Unit Financial Highlights	Page 7

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## RISK FACTORS

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

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

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

The "Risk Factors" section incorporated by reference from pages 33 to 41 and pages 48 to 52 of the Prospectus (as detailed in "Documents Incorporated by Reference" on page 7 of this Drawdown Prospectus), as supplemented by the Supplemental Prospectus dated 26 May, 2015 relating to the Programme (which is incorporated by reference in, and forms part of, this Drawdown Prospectus) shall be read together with:

### **Risks Relating to the Notes**

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

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

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

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

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

*The Issuer's obligations under the Notes are subordinated*

The Issuer's obligations under the Notes, as they are Dated Tier 2 Notes, will be unsecured and subordinated and will rank junior in priority to the claims of more senior ranking creditors of the Issuer. Although the Notes may pay a higher rate of interest than comparable notes of the Issuer which are not

subordinated, there is a real risk that an investor in the Notes will lose all or some of his investment should the Issuer become insolvent.

#### *Deferral of payments*

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

Unless otherwise indicated to the Issuer by the PRA, redemption of the Notes may only be effected if on, and immediately following, the relevant Redemption Date:

- (a) the Solvency Condition and Solvency Capital Requirement are met; and
- (b) no Insolvent Insurer Winding-up has occurred and is continuing.

References in the Conditions to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement where non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.

The Notes are specified as Option B Notes in the Final Terms, and Dividend and Capital Restriction (2) is specified as applicable in the Final Terms. Accordingly, the Issuer may, in its sole discretion, elect to defer payment of interest on any Interest Payment Date unless (i) the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so, and (ii) it has, in the six calendar months immediately preceding the relevant Interest Payment Date, declared or paid any dividend on any class of its share capital, as described below under "*Terms and Conditions of the Dated Tier 2 Notes, Condition 4.1B*".

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

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

#### *Restricted remedy for non-payment*

In accordance with current PRA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee (on behalf of the Holders of the Notes) or, where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Dated Tier 2 Notes, any Holder of Notes for recovery of amounts owing in respect of such Notes and Coupons will be in the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and/or claiming in the liquidation of the Issuer for such amounts. See "*Terms and Conditions of Dated Tier 2 Notes, Condition 10*", respectively.

### *Redemption Risk*

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

Early redemption of the Notes will be permitted only to the extent specified in the Final Terms and subject to all relevant legal and regulatory requirements including the Issuer giving six months' prior notice to the PRA (or such shorter period as may be required by the Capital Regulations or Solvency II Regulations in relation to Tier 2 Capital at the time of such redemption) and, to the extent required by the Capital Regulations or Solvency II Regulations in relation to Tier 2 Capital at the time of such redemption, the PRA giving its prior approval or consent in the form of a waiver or otherwise to such redemption.

Except as otherwise indicated to the Issuer by the PRA, if the Issuer redeems or purchases the Notes within five years of the Issue Date, such redemption or purchase shall be funded out of the proceeds of a new issuance of capital of the same or higher quality as the Notes unless this is not required pursuant to the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital at the time of such redemption or purchase.

If the Notes are redeemed at the Issuer's option, the Notes shall be redeemed on any Optional Redemption Date at their Optional Redemption Amount together with any accrued interest to the Redemption Date and the aggregate amount of any Arrears of Interest.

Further, if such Notes are redeemed upon the occurrence of a Par Tax Event, an Other Tax Event or a Regulatory Event, the Notes may be redeemed at the outstanding principal amount of the Notes, together, in each case, with accrued interest to the Redemption Date and the aggregate amount of any Arrears of Interest.

Regulatory Event Refinancing Option is specified as being applicable in the Final Terms. As such, the Issuer may, at any time upon the occurrence of a Regulatory Event:

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

Qualifying Tier 2 Capital in accordance with the procedures specified in Condition 7.6 of the Terms and Conditions of the Dated Tier 2 Notes. The Terms and Conditions of the Notes as varied or substituted pursuant to Condition 7.6 of the Terms and Conditions of the Dated Tier 2 Notes must, among other things, have terms not materially less favourable to a holder than the terms of the Notes prior to such amendment or substitution, and contain terms which comply with then current requirements of the PRA in relation to Lower Tier 2 Capital or, on and from Solvency II Implementation, Tier 2 Capital.

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

Investors should note that Notes issued which are not eligible to fall within the relevant tier set out in the relevant Regulatory Event definition and/or are issued with terms which do not comply with the applicable rules relating to Solvency II may be immediately subject to the applicable redemption, variation or rights of the Issuer, as specified in the Final Terms. There is no requirement that such event(s) may only arise as a result of a change in law after the date on which agreement is reached to issue the Notes. The amount

payable to investors on redemption of the Notes in such circumstances will be set out in the Final Terms and may not be fully compensatory.

If, on the Redemption Date, redemption does not occur as a result of the Issuer not being in compliance with the Solvency Capital Requirement on and immediately following the relevant Redemption Date, the Notes will only be redeemed upon the earlier of:

- (a) the date falling 10 Business Days after the date on which the Issuer is in compliance with the Solvency Capital Requirement (provided that redemption of the Notes on such date would not result in the Issuer being in breach of the Solvency Capital Requirement);
- (b) the date falling 10 Business Days after the date on which the PRA has notified the Issuer of its waiver of or agreement to the redemption of the Notes; and
- (c) the date on which an order is made, or an effective resolution is passed, for the winding-up of the Issuer (other than a solvent winding-up for the purpose of a reconstruction, amalgamation or substitution of the Issuer),

in each case at their principal amount.



## TERMS AND CONDITIONS OF THE DATED TIER 2 NOTES

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 21 November, 2014 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

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

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's regulated market will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless

otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed, the Agency Agreement and the Final Terms, the Final Terms will prevail.

## **1. FORM AND DENOMINATION**

### *1.1 Form*

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### *1.2 Coupons and Talons*

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

### *1.3 Interest Basis*

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

### *1.4 Denomination of Bearer Notes*

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

### *1.5 Denomination of Registered Notes*

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

### *1.6 Currency of Notes*

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

## **2. TITLE AND TRANSFER**

### *2.1 Title to Bearer Notes*

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

## 2.2 *Title to Registered Notes*

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

## 2.3 *Holder as Owner*

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

## 2.4 *Transfer of Registered Notes*

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

## 2.5 *New Registered Notes*

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

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

## 2.6 *No Charges upon Transfer*

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

## 2.7 *144A Legend*

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the "144A Legend") set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel

experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

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

## 2.8 Information to Holders

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

## 3. STATUS OF THE NOTES

### 3.1 Status

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

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

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to all Dated Tier 2 Senior Creditors, the Holders of the Notes and the holders of any Parity Securities as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are neither Dated Tier 2 Senior Creditors nor the Holders of the Notes nor the holders of Parity Securities, by at least 4% or such other percentage specified by the PRA from time to time as the Regulatory Capital Requirement.

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

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

(b) *Solvency Claims*

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

3.2 *Solvency Capital Requirement*

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

For the purposes of these Conditions, references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement where non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.

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

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

### 3.3 *Set-off*

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

## 4. **DEFERRAL OF PAYMENTS**

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

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

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

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

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

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

- (a) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option B Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date which is not a Compulsory Interest Payment Date.
- (b) Any interest payments that the Issuer does not make in respect of the Option B Notes on an Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest

Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute, in the case of Non-ACSM Notes, Arrears of Interest or, in the case of ACSM Notes, Deferred Interest. No interest will accrue on Arrears of Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8.

#### *4.2A Arrears of Interest*

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

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

#### *4.2B Deferred Interest*

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

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

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

#### *4.3 Alternative Coupon Satisfaction Mechanism*

This Condition 4.3 shall be applicable to ACSM Notes only.

##### *(a) General*

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

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

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest on an ACSM Deferred Interest Payment Date, the Issuer shall, in accordance with Condition 14, give notice to the Holders

in accordance with Condition 4.1A or, as the case may be, Condition 4.1B. With respect to the payment by the Issuer of Deferred Interest on a Redemption Date, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.7, of the forthcoming Redemption Date;

- (ii) not later than 14 Business Days prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the ACSM Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);
- (iii) not later than ten Business Days prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent, or an appointed intermediary, shall place such number of Ordinary Shares in the market;
- (iv) not later than the close of business on the seventh Business Day prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent, or an appointed intermediary, shall notify the Issuer of the number of Ordinary Shares for which it has procured purchasers;
- (v) as soon as reasonably practicable following such notification but not later than the sixth Business Day prior to an ACSM Deferred Interest Payment Date or the Redemption Date, the Issuer shall, subject to having necessary corporate authorisations in place, issue and allot such Ordinary Shares to the purchasers who have agreed to purchase them;
- (vi) if, after the operation of the above procedures there would, in the opinion of the ACSM Calculation Agent, be a shortfall of proceeds towards the satisfaction of the aggregate amount of Deferred Interest payable on the ACSM Deferred Interest Payment Date or the Redemption Date, the ACSM Calculation Agent shall use its reasonable endeavours to find purchasers for further Ordinary Shares and the Issuer shall, subject to having the necessary corporate authorisations in place, issue and allot such further Ordinary Shares to the purchasers who have agreed to purchase them in accordance with these provisions to try to ensure that a sum (after the Issuer has paid any taxes, duties, costs and expenses payable by it in connection with the issue of the Ordinary Shares) at least equal to the aggregate amount of Deferred Interest due on the relevant ACSM Deferred Interest Payment Date or the Redemption Date, as the case may be, is available on the Business Day prior to such ACSM Deferred Interest Payment Date or such Redemption Date, as the case may be, to make the Deferred Interest payments in full on the ACSM Deferred Interest Payment Date or the Redemption Date; *provided* that if, despite the operation of the above provisions, such a shortfall exists on the Business Day preceding the ACSM Deferred Interest Payment Date or the Redemption Date, the Issuer may, subject to having the necessary corporate authorisations in place, continue to issue and allot Ordinary Shares until the Trustee or its agent (or the Issue and Paying Agent) shall have received funds on behalf of the Issuer equal to the full amount of such shortfall and *provided further* that no Deferred Interest shall be made to a Holder and no ACSM Note shall be redeemed until the Issuer is able to pay a sum at least equal to the aggregate amount of Deferred Interest in full in accordance with the Alternative Coupon Satisfaction Mechanism on the ACSM Deferred Interest Payment Date or, as the case may be, the Redemption Date. For the avoidance of doubt, the ACSM Deferred Interest Payment Date as set out in the applicable notice or the Redemption Date as set out in the redemption notice shall be deferred until the date the payment of Deferred Interest can be so made in full;
- (vii) the Issuer shall transfer or arrange for the transfer of the issue proceeds raised from the operation of the provisions set out in Condition 4.3(a)(iii)-(vi), together with any amounts the Issuer would otherwise pay other than out of issue proceeds to make up for any shortfall, to satisfy the aggregate amount of Deferred Interest to the Trustee or its agent (or the Issue and Paying Agent) on the Business Day preceding the ACSM Deferred Interest Payment Date or the Redemption Date for



payment by the Trustee or its agent (or the Issue and Paying Agent), on the relevant ACSM Deferred Interest Payment Date or the Redemption Date, towards the satisfaction on behalf of the Issuer of the aggregate amount of Deferred Interest; and

- (viii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the amount required to pay the applicable Deferred Interest plus the claims for the fees, costs and expenses to be borne by the Issuer in connection with using the Alternative Coupon Satisfaction Mechanism, any remaining proceeds shall be paid to the Issuer.

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

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

(b) Sufficiency and Availability of Ordinary Shares

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

- (i) the procedure will only be activated if the Issuer has given the applicable notice as set out in Condition 4.3(a)(i) and at that time there are Deferred Interest payments to be satisfied;
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares (*which is, as at 5 June, 2015, five pence per share*); and
- (iii) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

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

The Issuer may not redeem any ACSM Notes unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest payments, if any, are satisfied at the same time. In the event that the Issuer does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares to implement the Alternative Coupon Satisfaction Mechanism and the Issuer does not otherwise make a payment on the relevant Redemption Date other than out of funds raised from the issue proceeds to satisfy the aggregate amount of Deferred Interest, then the ACSM Deferred Interest Payment Date or the Redemption Date (as applicable) shall be deferred until such time, subject as provided in Condition 7.6, as the Directors of the

Issuer shall have the necessary authority to issue sufficient Ordinary Shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Such deferral shall not constitute a Default.

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

(c) Market Disruption Event

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

4.4 *No default in respect of Deferred Interest provisions*

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

4.5 *Dividend and Capital Restriction*

In relation to Notes in respect of which Dividend and Capital Restriction (1) is specified in the Final Terms, from and including an Interest Payment Date on which the Issuer does not make payment in full of all interest payments to be paid on such date or any Interest Payment Date on which the Solvency Condition and/or the Solvency Capital Requirement is not met, the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to Ordinary Shares prior to the date that the decision to defer such interest payment is made; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case unless or until all Deferred Interest or, as the case may be, all Arrears of Interest has been received by the Holders or the Trustee.

In relation to ACSM Notes only, following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described above in Condition 4.3(b), the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.9; or (B) a

payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

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

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

## **5. INTEREST**

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

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

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

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

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

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

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

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

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

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

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

#### *5B Interest on Reset Notes*

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

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

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

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

As used in these Conditions:

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

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

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

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

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

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

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

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

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

"Subsequent Reset Reference Rate" means either:

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

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

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

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

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

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

If the Subsequent Reset Rate Screen Page is not available, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Issue and Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

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

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

The Issue and Paying Agent will cause the Subsequent Reset Rate and each Interest Amount for each Reset Period to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority

on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

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

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

#### *5B.5 Certificates to be final*

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

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

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

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 5C.1(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last

day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

#### 5C.2 *Rate of Interest*

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

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

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5C.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

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



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

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

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

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

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

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

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

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

market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

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

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

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

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

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

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

Capitalised EONIA + Margin

As used above:

"Capitalised EONIA" means the resultant figure of the following formula:

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

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

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

"EONIA<sub>1</sub>" means, for any day " $i$ " in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

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

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

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

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

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

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in EONIA<sub>1</sub> appears for any reason for any day " $i$ " on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine EONIA<sub>1</sub> for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

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

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

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

where:

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

As used above:

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

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

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

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

" $d_i$ " means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such

London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

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

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

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

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

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

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

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

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

As used above:

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

Where:

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

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

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

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

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

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

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

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

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

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

CMS Rate + Margin

As used above:

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

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

For this purpose:

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

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

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

"Relevant Swap Rate" means:

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

"Relevant Time" has the meaning specified in the Final Terms.

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

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

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

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

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

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

A13.4.8

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

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

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

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

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

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (iv) if "Actual/360" is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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



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

where:

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

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

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

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

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

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

#### 5C.7 *Linear Interpolation*

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

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

#### 5C.8 *Notification of Rate of Interest and Interest Amounts*

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

### *5C.9 Determination or Calculation by Trustee*

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with Condition 5C.3 or 5C.4, as the case may be, and in each case in accordance with Condition 5C.6 and 5C.7, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5C, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

### *5C.10 Certificates to be final*

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

### *5D Accrual of interest*

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

## **6. PAYMENTS**

### *6.1 Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## 6.2 *Presentation of Bearer Notes and Coupons*

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

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

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Temporary or Permanent Global Note in bearer

form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as applicable.

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

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

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

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

### 6.4 *Registered Notes*

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

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the

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

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

#### 6.5 *Payment Day*

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

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

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

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

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

- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

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

### *7.1 Redemption of Notes at Maturity*

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

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

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

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

Redemption may only be effected if on, and immediately following, the relevant Redemption Date:

- (a) the Issuer is in compliance with the Regulatory Capital Requirement;
- (b) the Solvency Condition is met and the Solvency Capital Requirement is met; and
- (b) no Insolvent Insurer Winding-up has occurred and is continuing,

or, in each case, as otherwise permitted by the PRA.

The PRA may impose conditions on any redemption or purchase at the relevant time.

The Trustee shall be entitled to rely on a certificate signed by two Directors of the Issuer as to whether or not an Insolvent Insurer Winding-up has occurred and is continuing and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Holders.

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital at the time of a redemption or purchase of the Notes by the Issuer within five years of the Issue Date of such Notes, such redemption or purchase shall be funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes, except as otherwise indicated to the Issuer by the PRA.

### *7.3 Issuer's Call Option*

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

### *7.4 Tax Event Redemption*

This Condition 7.4 shall apply to the Notes only if Issuer Call due to a Tax Event is specified as being applicable in the Final Terms.

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

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

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Tax Event prior to the fifth anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

### *7.5A Regulatory Event Redemption*

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

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

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Regulatory Event prior to the fifth anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

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

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

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

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

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to Tier 2 Capital as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Regulatory Event prior to the fifth

anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

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

#### *7.6 Redemption Procedures*

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

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

If the Notes are to be redeemed pursuant to Condition 7.4, 7.5A or 7.5B on the occurrence of a Par Tax Event or a Regulatory Event, the Notes may be redeemed at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at (i) in the case of a Par Tax Event at any time or a Regulatory Event occurring on or after the first Optional Redemption Date (if any), at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event occurring prior to the first Optional Redemption Date (if any), at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest or, as the case may be, any Arrears of Interest, each as provided in these Conditions.

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

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

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



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

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

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

In this Condition 7.6:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This Condition 7.8 shall apply to ACSM Notes only.

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

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

### 7.9 *Suspension*

This Condition 7.9 shall apply to ACSM Notes only.

Following any takeover offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement in which the company, which immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 14, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent whereupon the operation of the Alternative Coupon Satisfaction Mechanism shall be suspended (such event being a "Suspension"). In such event, the Issuer may, following a Permitted Restructuring, request the Trustee to agree to a Permitted Restructuring Arrangement and the Trustee shall, if the conditions to such Permitted Restructuring Arrangement are satisfied, agree to give effect to such Permitted Restructuring Arrangement (provided that the Trustee is satisfied that the Permitted Restructuring Arrangement does not impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured to its satisfaction). Unless such event is a Permitted Restructuring and a Permitted Restructuring Arrangement is or will be put into place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank or financial institution appointed by the Issuer (at the expense of the Issuer) and approved by the Trustee will determine what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate or necessary in order (i) to replicate the Alternative Coupon Satisfaction Mechanism in the context of the capital structure of the new Ultimate Owner and (ii) to preserve substantially the financial and economic effect for the Holders of a holding in the Notes. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank or financial institution, the Trustee and the Issuer shall, without the consent of the Holders but subject to the consent of the new Ultimate Owner, effect such amendments and any necessary consequential changes to these Conditions, the Trust Deed and any other relevant documents. Any such amendments shall be subject to the requirements that:

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

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

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

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

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

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for such other series of notes constituting Qualifying Tier 2 Capital, the Issuer may elect to redeem the ACSM Notes as provided in this Condition 7.9.

If, following a Definitive Suspension, the PRA (to the extent required) fails to give its consent or approval to the proposal by the Issuer to convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for such other series of notes constituting Qualifying Tier 2 Capital as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the ACSM Notes into another series of notes constituting Qualifying Tier 2 Capital, then, subject, in each case, to compliance with applicable regulatory requirements and Condition 7.2 and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the ACSM Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date (if and so long as this ACSM Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as this ACSM Note is a Floating Rate Note) occurring on or after the first Optional Redemption Date (if any), their principal amount and, in respect of any redemption occurring prior to the first Optional Redemption Date (if any), at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

#### *7.10 Purchases*

The Issuer and any of its Subsidiaries may, subject to Condition 7.2, at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

### 7.11 *Cancellation*

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

## **8. TAXATION**

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

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

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

## 9. PRESCRIPTION

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

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

## 10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3.1 and 3.2, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition or the Solvency Capital Requirement is not satisfied, at the time of and immediately after any such payment. Also, in the case of any payment of interest in respect of any Notes, such payment will not be due if the Issuer has elected to defer that payment pursuant to Condition 4 or in the circumstances referred to in Condition 4.3(b) and (c) where a payment is deferred and such deferral is stipulated as not a Default.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, *inter alia*, its fees and remuneration and the expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The provisions as to subordination and the restrictions on commencing proceedings described below will not apply to any such claims.

10.2 If a Default occurs and is continuing, the Trustee may, notwithstanding the provisions of Condition 10.4, institute proceedings for the winding-up in England and Wales (but not elsewhere) of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

10.3 If an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the Dated Tier 2 Notes, the Trustee may, subject as provided below, give notice to the Issuer that the Dated Tier 2 Notes are, and they shall accordingly forthwith become, immediately due and repayable at an amount equal to their principal amount outstanding together with any Arrears of Interest and any accrued interest as provided in the Trust Deed.

10.4 Without prejudice to Condition 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer relating to or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.4 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from or under the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

10.5 The Trustee shall not be bound to take any of the actions referred to in Condition 10.2, 10.3 or 10.4 above against the Issuer to enforce the terms of the Trust Deed, the relevant Notes or the relevant Coupons or to take any other action under the Trust Deed unless: (i) it shall have been so requested

by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed.

- 10.6 No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up in England and Wales of the Issuer or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure is continuing, in which case a Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.
- 10.7 No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Holder, whether for the recovery of amounts owing in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom.

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

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

## **12. PAYING AGENTS**

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

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

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

Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes and Coupons (so long as there is such a jurisdiction).

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

Further, pursuant to the ACSM Calculation Agency Agreement, the Issuer has appointed the ACSM Calculation Agent for the purposes specified in Condition 4.3. The Issuer undertakes there will at all times be an ACSM Calculation Agent which will be an independent bank or financial institution approved by the Trustee and the Issuer.

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

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

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

### **14. NOTICES**

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

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

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



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

### *15.1 Conditions to Modification, Amendment, Waiver and Substitution*

No modifications or amendments may be made to, nor any waiver granted in respect of, these Conditions or any of the provisions of the Trust Deed pursuant to Conditions 15.2 or Condition 15.3, nor may the Issuer be substituted as principal debtor under the Trust Deed, the Notes and the Coupons pursuant to Condition 15.4, unless the Issuer has given prior notice to the PRA, and the PRA has given its prior approval or consented to such modification, amendment, waiver or substitution, in each case in accordance with, and to the extent required under, the Capital Regulations and the Solvency II Regulations applicable in relation to Tier 2 Capital at the time of such modification, amendment, waiver or substitution.

### *15.2 Meetings*

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

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

### *15.3 Modifications*

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

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

### *15.4 Substitution*

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Holders, may agree with the Issuer, without the consent of the Holders, to

the substitution in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons of (i) any Subsidiary of the Issuer, (ii) any successor in business of the Issuer, (iii) any Holding Company of the Issuer or (iv) any other Subsidiary of such Holding Company provided that except where the new principal debtor is the successor in business or Holding Company of the Issuer the obligations of such new principal debtor under the Trust Deed, the Notes and the Coupons shall be unconditionally and irrevocably guaranteed by the Issuer or its Holding Company and provided further that the obligations of the Issuer or, as the case may be, its Holding Company under such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that described in Condition 3.

Any substitution in accordance with the provisions of this Condition 15.4 shall be binding on the Holders and, unless the Trustee agrees otherwise, any such substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

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

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

## **16. FURTHER ISSUES**

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

## **17. DEFINITIONS**

In these Conditions:

"ACSM Calculation Agency Agreement" means the amended and restated calculation agency agreement dated 3 December, 2008 between the Issuer, the ACSM Calculation Agent and the Trustee, under which the ACSM Calculation Agent agrees to perform the duties required of it under these Conditions as amended and/or supplemented and/or restated and/or novated from time to time;

"ACSM Calculation Agent" means UBS Limited as ACSM calculation agent or its successor or successors for the time being appointed under the ACSM Calculation Agency Agreement;

"ACSM Deferred Interest Payment Date" means a date, prior to the Redemption Date, upon which the Issuer has elected to make payment of Deferred Interest in accordance with Condition 4.3;

"ACSM Notes" means Notes in respect of which the Alternative Coupon Satisfaction Mechanism applies (as specified in the Final Terms);

"Alternative Coupon Satisfaction Mechanism" means the alternative coupon satisfaction mechanism described in Condition 4;

"Arrears of Interest" means, in the case of Non-ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1A or Condition 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8 and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met, and which has not been satisfied;

"Assets" means the total amount of the Issuer's non-consolidated gross assets as shown by the then latest published balance sheet, but adjusted for contingencies and for subsequent events, and to such extent as such person or persons giving the Solvency Condition report may determine;

"Auditors" means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these Conditions or the Trust Deed, such other firm of accountants as may be nominated or approved by the Trustee after consultation with the Issuer;

"Capital Adequacy Condition" means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer's wholly-owned subsidiary ("Prudential Assurance"), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Dated Tier 2 Senior Creditors by at least 125% of such percentage specified by the PRA as the Regulatory Capital Requirement applicable to Prudential Assurance (approximately 13% as at 31 December, 2014); or
- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

"Capital Regulations" means the rules and regulations of the PRA that require the Issuer or any of the Issuer's EEA Insurance Subsidiaries to meet a Regulatory Capital Requirement including, without limitation, pursuant to Directive 98/78/EC and Directive 2002/87/EC of the European Union (the "Directives") or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Directives;

"Compulsory Interest Payment Date" means:

- (a) in respect of Option A Notes, each Interest Payment Date:
  - (i) on which the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so; and
  - (ii) that is not an Optional Interest Payment Date; and

- (iii) with regard to Option A Notes for which Dividend and Capital Restriction (2) is specified in the Final Terms, on which the Issuer has, in the six calendar months immediately preceding such Interest Payment Date, declared or paid any dividend on any class of its share capital.
- (b) in respect of Option B Notes for which Dividend and Capital Restriction (2) is specified in the Final Terms, each Interest Payment Date on which:
  - (i) the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on the Interest Payment Date fail to do so; and
  - (ii) the Issuer has, in the immediately preceding six calendar months, declared or paid any dividend on any class of its share capital; and
- (c) in respect of Option B Notes for which Dividend and Capital Restriction (2) is not specified in the Final Terms, no Interest Payment Date;

"Dated Tier 2 Senior Creditors" means any creditors of the Issuer who are unsubordinated creditors of the Issuer;

A "Default" in respect of the Notes shall occur if:

- (a) the Issuer fails to pay the amount due to satisfy any interest payment which has not been deferred, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and any Deferred Interest or Arrears of Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

"Deferred Interest" means in the case of ACSM Notes, any interest payment which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1A or Condition 4.1B, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.7 and 7.8 and any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met, and which has not been satisfied;

"EEA Insurance Subsidiary" means any Subsidiary of the Issuer engaged in the insurance business and regulated as such by a member of the European Economic Area;

"Eligible Company" means a company incorporated in a country which is a member of the Organisation for Economic Co-operation and Development by or on behalf of the Issuer whose ordinary shares are listed: (a) on the Official List of the Financial Conduct Authority (or any successor body thereto) in its capacity as competent authority under the FSMA and are admitted to trading on the market for listed securities of the London Stock Exchange plc's regulated market; or (b) on such other Recognised Stock Exchange as the Trustee may approve;

"Existing Upper Tier 2 Capital" means any Upper Tier 2 Capital issued prior to Solvency II Implementation or any other change in the requirements of the PRA such that Upper Tier 2 Capital ceases to be a separately recognised tier of capital resources;

"FSMA" means the Financial Services and Markets Act 2000;

"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 Solvency II Regulations;

"Holding Company Shares" means the ordinary shares of the New Holding Company;

"Initial Rate of Interest" has the meaning specified in the Final Terms;

"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 of that Group Insurance Undertaking may or will not be met;

"insurance undertaking" has the meaning given to such term in the Solvency II Directive;

"Junior Securities" means the Ordinary Shares, other Tier 1 Capital of the Issuer, Upper Tier 2 Capital of the Issuer and any other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank, as regards distribution on a return of assets on a winding-up of the Issuer or in respect of distributions or payments of dividends or any other payments thereon, after the Notes;

"Liabilities" means the total amount of the Issuer's non-consolidated gross liabilities as shown by the then latest published balance sheet, but adjusted for contingencies and subsequent events and to such extent as the person or persons giving the Solvency Condition report may determine;

"Lower Tier 2 Capital" has the meaning given to that term from time to time by the PRA and shall, on and from Solvency II Implementation or any other change in law or change in the requirements of the PRA such that Lower Tier 2 Capital ceases to be a separately recognised tier of capital resources, be deemed to be a reference to any Tier 2 Capital;

"Make Whole Redemption Price" means, as specified in the Final Terms, (i) the Spens Amount, calculated in accordance with Condition 7.6, (ii) the Make Whole Redemption Amount, calculated in accordance with Condition 7.6, or (iii) the amount per Calculation Amount specified in the Final Terms;

"Market Disruption Event" means: (a) the occurrence or existence of any material suspension of or limitation imposed on trading or on settlement procedures for transactions in Ordinary Shares through the London Stock Exchange plc (or other national securities exchange or designated offshore securities market constituting the principal trading market for the Ordinary Shares); (b) in the reasonable opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Ordinary Shares to be issued in accordance with the Alternative Coupon Satisfaction Mechanism; or (c) where monies are required to be converted from one currency upon sale of Ordinary Shares into another currency for payment of Deferred Interest, the occurrence of any event that makes it impracticable to effect such conversion, in each case as certified to the Trustee in a certificate signed by two Directors of the Issuer;

"Mid Swap Maturity" has the meaning specified in the Final Terms;

"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 Solvency II Directive or the Solvency II Regulations;

"New Holding Company" means an Eligible Company that becomes the Ultimate Owner following a Permitted Restructuring;

"Non-ACSM Notes" means notes to which the Alternative Coupon Satisfaction Mechanism does not apply (as specified in the Final Terms);

"Optional Interest Payment Date" has the meaning given to that term in Condition 4.1A;

"Optional Redemption Amount" means the amount so specified in the Final Terms;

"Optional Redemption Date" means the date so specified in the Final Terms;

"Option A Notes" means any Notes so specified in the Final Terms;

"Option B Notes" means any Notes so specified in the Final Terms;

"Ordinary Shares" means the ordinary shares of the Issuer, having at the date hereof, a par value of five pence each;

"Other Tax Event" means an event of the type described in the definition of Tax Event occurring other than as a result of a Tax Law Change;

"Parity Securities" means capital instruments of the Issuer (including the Notes) preferred or preference shares or other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank *pari passu* with the Notes as to participation in the Issuer's assets in the event of its winding-up;

"Par Tax Event" means an event of the type described in the definition of Tax Event occurring as a result of a Tax Law Change;

"Permitted Restructuring" means the completion of: (a) an offer made by, or on behalf of, an Eligible Company to all (or as nearly as may be practicable all) of the shareholders of the Issuer (or, if the Issuer is not then the Ultimate Owner, to the shareholders of the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued ordinary share capital) other than those already held by or on behalf of such Eligible Company; or (b) a reorganisation or restructuring whether by way of a scheme of arrangement or otherwise pursuant to which an Eligible Company acquires all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued share capital) other than those already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued capital) not held by the New Holding Company is cancelled;

"Permitted Restructuring Arrangement" means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each ACSM Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and by Moody's Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

"Policyholder Claims" means claims of policyholders 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 pursuant to a contract of insurance, including all amounts to which policyholders 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 may have;

"PRA" means the Prudential Regulation Authority or any successor regulatory body or such other governmental authority in the UK having primary supervisory authority with respect to the Group;

"Qualifying Tier 2 Capital" means notes that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 4.5 (if applicable), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and certified by two Directors of the Issuer to the Trustee, provided that they shall:
  - (i) contain terms which comply with then current requirements of the PRA in relation to Lower Tier 2 Capital or, on and from Solvency II Implementation, Tier 2 Capital;
  - (ii) bear the same rate of interest from time to time applying to the Notes, but not necessarily having provisions analogous to the provisions of Condition 4.3 (if applicable), and preserve the Interest Payment Dates;
  - (iii) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions applying to the Notes;
  - (iv) rank at least *pari passu* with the Notes;
  - (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 2 Capital may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A or Condition 7.5B and subject to the same conditions as those set out in Condition 7.2);
  - (vi) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 2 Capital or conversion of such Qualifying Tier 2 Capital into Ordinary Shares; and
  - (vii) preserve any existing rights under these Conditions to any Deferred Interest or, as the case may be, Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid; and
- (b) are listed or admitted to trading on a Recognised Stock Exchange;

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

"Redemption Date" means any date fixed for redemption in accordance with Condition 7;

"Regulatory Assets" means the assets eligible to satisfy the Regulatory Capital Requirement;

"Regulatory Capital Requirement" means any minimum or notional margin of solvency or minimum regulatory capital or capital ratios required for insurance companies or insurance holding companies or financial groups by the PRA;

A "Regulatory Event" is deemed to have occurred if:

- (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or
- (b) at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group is required under any Regulatory Capital Requirement to have Tier 2 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Lower Tier 2 Capital of the Issuer on a solo and/or consolidated basis; or
- (c) a Solvency II Capital Disqualification Event occurs;

"Reset Date(s)" means the date(s) specified in the Final Terms;

"Reset Determination Date(s)" means the date(s) specified in the Final Terms;

"Reset Margin" means the margin specified in the Final Terms;

"Reset Period" has the meaning set out in Condition 5B.1;

"Solvency Capital Requirement" means, on and from Solvency II Implementation, the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group referred to in, or any other minimum capital requirement howsoever described in, the Solvency II Directive or the Solvency II Regulations;

"Solvency Condition" has the meaning set forth in Condition 3.1;

A "Solvency II Capital Disqualification Event" is deemed to have occurred if the Notes are no longer capable of counting either:

- (a) as cover for capital requirements or treated as tier 2 "own funds" (howsoever described in the Directives, the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; or
- (b) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis,

except where such non-qualification is as a result of any other applicable limitation on the amount of such capital;

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



"Solvency II Implementation" means the date from which the Solvency II Regulations are applied to the Issuer and/or the Group;

"Solvency II Regulations" means the rules and regulations of the PRA implementing the Solvency II Directive that require the Issuer or any of the Issuer's EEA Insurance Subsidiaries to meet a Solvency Capital Requirement including, without limitation, pursuant to the Solvency II Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Solvency II Directive;

"Subsequent Reset Rate" has the meaning set out in Condition 5B.1;

"Subsequent Reset Rate Screen Page" has the meaning specified in the Final Terms;

"Subsequent Reset Rate Time" has the meaning specified in the Final Terms;

"Subsequent Reset Reference Rate(s)" has the meaning(s) specified in the Final Terms;

"Subsidiary" means a subsidiary undertaking within the meaning set out in section 1162 of the Companies Act 2006;

"Tax Event" means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest or Arrears of Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest or Arrears of Interest on the next Interest Payment Date in respect of any Notes would be treated as "distributions" within the meaning of section 1000 of the Corporation Tax Act 2010 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest or Arrears of Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

"Tax Law Change" means a change in or amendment to the laws or regulations of the United Kingdom or any political sub-division or any authority thereof or therein having power to tax (including any treaty to which the United Kingdom is a party), or any change in the application of official or generally published interpretation of those laws or regulations (including a change or amendment resulting from a holding by a court or tribunal or competent jurisdiction) which change or amendment becomes effective or, in the case of a change in law, is enacted on or after the date on which agreement is reached to issue the first Tranche of the Notes;

"Tier 1 Capital" has the meaning given to that term from time to time by the PRA;

"Tier 2 Capital" has the meaning given to that term from time to time by the PRA;

"Ultimate Owner" means, at any given time, the ultimate holding company of the Group at that time; and

"Upper Tier 2 Capital" has the meaning given to that term from time to time by the PRA and shall, on and from Solvency II Implementation or any other change in law or change in the requirements of the PRA such that Upper Tier 2 Capital ceases to be a separately recognised tier of capital resources, be deemed to be a reference to any Tier 2 Capital.

## **18. GOVERNING LAW**

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

**19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

FINAL TERMS OF THE NOTES

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PRUDENTIAL PLC

£5,000,000,000

Medium Term Note Programme

Series No: 32

Tranche No: 1

GBP 600,000,000 5.00 per cent. Dated Tier 2 Notes due 2055

Issued by

PRUDENTIAL PLC

Issue Price: 98.918%

The date of the Final Terms is 5 June, 2015.

## PART A– CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Drawdown Prospectus dated 5 June, 2015 (the "Drawdown Prospectus") relating to the Notes. References in the Conditions to the "Final Terms" shall be deemed to refer to the final terms set out below.

1.	(i)	Series Number:	32
	(ii)	Tranche Number:	1
	(iii)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
2.		Specified Currency:	GBP
3.		Aggregate Nominal Amount of Notes	
	•	Tranche:	GBP 600,000,000
	•	Series:	GBP 600,000,000
4.		Issue Price of Tranche:	98.918 per cent. of the Aggregate Nominal Amount
5.	(i)	Specified Denomination(s):	GBP
	(ii)	Calculation Amount:	GBP 1,000
6.	(i)	Issue Date and Interest Commencement Date:	9 June, 2015
7.		Maturity Date:	20 July, 2055
8.		Interest Basis:	5.00 per cent. Fixed Rate until 20 July, 2035, then calculated in accordance with paragraph 14 below
9.		Redemption/Payment Basis:	Redemption at par
10.		Change of Interest Basis or Redemption/Payment Basis:	Fixed Rate Reset Notes
11.		Put/Call Options:	Issuer Call
12.	(i)	Status of the Notes:	Dated Tier 2 Notes
	(ii)	Date of Board and Committee approval for issuance of Notes obtained	28 February, 2013 and 1 June, 2015, respectively

### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.		Fixed Rate Note Provisions	Not Applicable
14.		Reset Note Provisions:	Applicable
	(i)	Initial Rate of Interest:	5.00 per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	20 January and 20 July in each year up to and including the Maturity Date, from and including 20 July, 2015
	(iii)	Day Count Fraction:	Actual/Actual (ICMA)

(iv)	Determination Date(s):	20 January and 20 July in each year
(v)	Reset Date(s):	20 July, 2035 and each corresponding day and month falling every five years thereafter
(vi)	Subsequent Reset Reference Rate(s) and Relevant Financial Centre:	Subsequent Reset Reference Rate: Reference Bond Relevant Financial Centre: London
(vii)	Reset Margin:	3.60 per cent. per annum, being the sum of 2.60 per cent. per annum (the "Initial Margin") and 1.00 per cent. per annum (the "Step-up Margin")
(viii)	Subsequent Reset Rate Screen Page:	Not Applicable
(ix)	Mid Swap Maturity:	Not Applicable
(x)	Reset Determination Date:	1 Business Day prior to each Reset Date
(xi)	Subsequent Reset Rate Time:	Not Applicable
(xii)	Deferral of Interest:	Option B Notes
(xiii)	ACSM:	Not Applicable
(xiv)	Dividend and Capital Restriction (1):	Not Applicable
(xv)	Dividend and Capital Restriction (2):	Applicable
15.	Floating Rate Note Provisions:	Not Applicable
16.	Step-Up Rate of Interest	Applicable from and including 20 July, 2035 to but excluding the Maturity Date
(i)	Rate of Interest/Margin:	See paragraph 14 above
(ii)	Method of determination of Rate of Interest:	Reset Rate calculated in accordance with paragraph 14 above
(iii)	Reset Date:	Not Applicable

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

17.	(a)	Issuer Call:	Applicable
	(i)	Optional Redemption Date(s):	20 July, 2035 and any Interest Payment Date thereafter
	(ii)	Optional Redemption Amount(s):	GBP 1,000 per Calculation Amount
	(iii)	If redeemable in part:	Not Applicable – Redeemable in whole only
	(b)	Regulatory Event Redemption:	Not Applicable
	(c)	Regulatory Event Redemption and Regulatory Event Refinancing Option:	Applicable
	(d)	Solvency II Regulatory Event Redemption:	Not Applicable
	(e)	Issuer Call due to a Tax Event:	Applicable
18.		Investor Put:	Not Applicable

- |     |  |                                  |
|-----|--|----------------------------------|
| 19. | Final Redemption Amount:   | GBP 1,000 per Calculation Amount |
| 20. | Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default: | Not Applicable                   |
| 21. | Make Whole Redemption Price:   | Not Applicable                   |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |   |   |
|-----|---|---|
| 22. | Form of Notes:  |   |
|     | (i) Form:   | <b>Bearer Notes:</b><br><br>Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event   |
|     | (ii) New Global Note:   | Yes   |
| 23. | Additional Financial Centre(s):                               | Not Applicable  |
| 24. | Talons for future Coupons to be attached to Definitive Notes: | Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made |

Signed on behalf of the Issuer:

By:

*Duly Authorised*

## **PART B– OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

- (i) Listing and admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from 9 June, 2015.
- (ii) Estimate of total expenses relating to admission to trading: £3,650

### **2. RATINGS**

The Notes to be issued are expected to be assigned the following ratings:

A- by Standard & Poor's Credit Market Services Europe Limited

A3 by Moody's Investors Service Ltd

BBB+ by Fitch Ratings Limited

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Joint Bookrunners, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

### **4. YIELD**

Indication of yield: Not Applicable

### **5. OPERATIONAL INFORMATION**

ISIN Code: XS1243995302

Common Code: 124399530

Any clearing system (s) other than Euroclear and Clearstream, Luxembourg (together with the address of each such clearing system) and the relevant identification number(s): Not Applicable

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

### **6. THIRD PARTY INFORMATION**

Not Applicable

### **7. GENERAL**

Applicable TEFRA exemption: D Rules

144A Eligible: Not 144A Eligible

## RECENT DEVELOPMENTS

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On 1 June, 2015, the Issuer announced the appointment of:

- (a) Tony Wilkey as a director to the Board of Directors of the Issuer and as Chief Executive of Prudential Corporation Asia, each with effect from 1 June, 2015. Mr Wilkey was previously Chief Executive, Insurance at Prudential Corporation Asia;
- (b) John Foley, Group Investment Director, as Interim Group Chief Risk Officer until a permanent successor for Pierre-Olivier Bouée is found, following his resignation from the Board of Directors of the Issuer on 31 May, 2015. Mr Foley will remain on the Group Executive Committee and attend meetings of the Board of Directors of the Issuer; and
- (c) Barry Stowe as Chairman and Chief Executive Officer of Jackson, succeeding Mike Wells following his appointment as Group Chief Executive Officer on 1 June, 2015. Mr Stowe, who was formerly the Chief Executive of Prudential Corporation Asia, will remain on the Board of Directors of the Issuer.

The business address of each of Prudential's directors is Laurence Pountney Hill, London EC4R 0HH.

None of the directors of Prudential have any actual or potential conflicts of interests between their duties to Prudential as directors of Prudential and their private interests and/or other duties.



## SUBSCRIPTION AND SALE

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The Joint Bookrunners have, pursuant to a Subscription Agreement dated 5 June, 2015 (the "Subscription Agreement"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at 100 per cent. of their principal amount, plus accrued interest (if any). The Issuer is separately obliged to pay certain fees and commissions to the Joint Bookrunners. To the extent permitted by local law, the Joint Bookrunners and the Issuer have agreed that commissions may be offered to certain brokers, financial advisers and other intermediaries in connection with the purchase of the Notes by such intermediary and/or its customers.

The Joint Bookrunners are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

See '*Subscription and Sale*' in the Prospectus for details of the restrictions on the distribution of this Drawdown Prospectus and the Prospectus and on the offering and sale of the Notes.

Some of the Joint Bookrunners and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

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1. Application has been made to the UK Listing Authority in its capacity as competent authority under the FSMA to approve this document as a drawdown prospectus for the purposes of the Prospectus Directive. Application has also been made to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing and admission to trading of the Notes is expected to be effective as of the Issue Date.
2. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme and the issue of the Notes. The establishment and update of the Programme was authorised pursuant to resolutions of the Board of Directors of the Issuer at meetings held on 6 September, 2001, 7 November, 2002 and 20 March, 2003 and by a resolution of a committee, established by resolutions of the Board of Directors of the Issuer at meetings held on 6 September, 2001, 7 November, 2002, 20 March, 2003, 20 March, 2006, 30 July, 2007 and 30 July, 2008, at a meeting held on 18 November 2014. The issue of the Notes was authorised by a resolution of a standing committee of the Board of Directors of the Issuer at a meeting held on 1 June, 2015. The standing committee of the Board of Directors of the Issuer was established by a resolution of the Board of Directors of the Issuer at a meeting held on 28 February, 2013, and its terms of reference were most recently approved at a meeting of the Board of Directors of the Issuer at a meeting held on 12 December, 2013.
3. Copies of this Drawdown Prospectus, any documents incorporated by reference and the Final Terms will be available during normal business hours from the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London and this Drawdown Prospectus will also be available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html). For the avoidance of doubt, the contents of such website are not incorporated in, and do not form part of, this Drawdown Prospectus.
4. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries as a whole since 31 March, 2015.
5. There has been no material adverse change in the prospects of the Issuer and its subsidiaries as a whole since 31 December, 2014.
6. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and its subsidiaries as a whole.

**THE REGISTERED OFFICE OF THE ISSUER**

**Prudential plc**  
Laurence Pountney Hill  
London EC4R 0HH

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