



**AVIVA plc**

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

**£5,000,000,000**

## **Euro Note Programme**

Under the Euro Note Programme described in this Prospectus (the “**Programme**”), Aviva plc (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”). The Notes may be issued as dated unsubordinated notes (“**Senior Notes**”), as dated subordinated notes with terms capable of qualifying as Lower Tier 2 Capital (as defined in “Terms and Conditions of the Dated Tier 2 Notes”) (“**Dated Tier 2 Notes**”), as undated subordinated notes with terms capable of qualifying as Upper Tier 2 Capital (as defined in “Terms and Conditions of the Undated Tier 2 Notes”) (“**Undated Tier 2 Notes**”) and, together with the Dated Tier 2 Notes, the “**Tier 2 Notes**”) or as undated subordinated obligations, ranking junior to the Tier 2 Notes and with terms capable of qualifying as Tier 1 Capital (as defined herein) (“**Tier 1 Notes**”). Senior Notes (but not other Notes) may be guaranteed by Aviva Insurance Limited (the “**Guarantor**”). The aggregate nominal amount of Notes outstanding will not at any time exceed £5,000,000,000 (or the equivalent in other currencies).

This Prospectus has been approved by the United Kingdom Financial Services Authority (the “**FSA**”), which is the United Kingdom competent authority (in such capacity, the “**UK Listing Authority**”), for the purposes of the Prospectus Directive (as defined below) and relevant implementing measures in the United Kingdom as a base prospectus (the “**Prospectus**”) for the purposes of Article 5.4 of the Prospectus Directive and provides information with regard to the Issuer and its subsidiaries (each a “**Subsidiary**”) and together with the Issuer, the “**Group**”) and, in the case of Guaranteed Notes (as defined in “Terms and Conditions of the Senior Notes”) only, with regard to the Guarantor which, according to the particular nature of the Issuer, the Notes and, as appropriate, the Guarantor, is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses and prospects of the Issuer and, as appropriate, the Guarantor.

Applications have been made to the UK Listing Authority for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s EEA Regulated Market (the “**Market**”). The Market is a regulated market for the purposes of European Council Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market (or any other stock exchange) and have been admitted to the Official List. The relevant Final Terms (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Each Series (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”) and, together with a temporary Global Note, a “**Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s (as defined herein) entire holding of Registered Notes (as defined herein) of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be, for one or more clearing systems are referred to as “**Global Certificates**”. In the case of Senior Notes, if the relevant Global Note is stated in the applicable Final Terms to be issued in New Global Note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined herein) to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Global Notes which are not issued in NGN form (“**Classic Global Notes**”) or “**CGNs**”) and Certificates will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depository**”). In the case of Senior Notes, if the relevant Global Certificates are stated in the applicable Final Terms to be issued under the New Safekeeping Structure (“**NSS form**”), the Global Certificates will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Overview of Provisions Relating to the Notes while in Global Form”.

Series of Notes to be issued under the Programme will be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or Notes already issued. Where a Series of Notes is rated, the applicable rating(s) will be specified in the applicable Final Terms. The credit ratings and financial strength ratings which are included in this Prospectus have been provided by A.M. Best Europe Rating Services Limited (“**AM Best**”), Moody’s Investors Service Ltd. (“**Moody’s**”) and Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). Each of AM Best, Moody’s and S&P is established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the “**EEA**”) or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Prospective investors should have regard to the section headed “**Risk Factors**” on page 14 of this Prospectus for a discussion of factors which may affect each of the Issuer’s and, in the case of Guaranteed Notes, the Guarantor’s ability to fulfil its obligations in respect of Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) or with any securities regulatory authority of any State or other jurisdiction of the United States and the Notes may include bearer notes that 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, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership.

*Arranger*  
**Citigroup**

*Dealers*

**Barclays**  
**Deutsche Bank**  
**HSBC**  
**Société Générale Corporate & Investment Banking**

**Citigroup**  
**Goldman Sachs International**  
**Morgan Stanley**  
**The Royal Bank of Scotland**

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

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer (as defined in “Overview of the Programme”) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, the Guarantor, the Arranger (as defined in “Overview of the Programme”) nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes or Guaranteed Notes (as applicable) in circumstances in which an obligation arises for the Issuer, the Guarantor, the Arranger or any Dealer to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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

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

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “Subscription and Sale”.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this

Prospectus or any other information supplied in connection with the Programme or the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person 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 of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the audited consolidated financial statements of the Issuer for the year ended 31 December 2010 (together with the audit report prepared in connection therewith), which appear on pages 167 to 314 of the Issuer's Annual Report and Accounts for the year ended 31 December 2010;
- (2) the audited consolidated financial statements of the Issuer for the year ended 31 December 2011 (together with the audit report prepared in connection therewith), which appear on pages 165 to 320 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011;
- (3) the unaudited interim consolidated financial statements of the Issuer for the six-month period ended 30 June 2012, which appear on pages 37 to 78 of the Half Year Report of the Issuer for the six-month period ended 30 June 2012;
- (4) the audited non-consolidated financial statements of the Guarantor for the year ended 31 December 2010 (together with the audit report prepared in connection therewith), which appear on pages 6 to 49 of the Guarantor's Annual Report and Accounts for the year ended 31 December 2010;
- (5) the audited non-consolidated financial statements of the Guarantor for the year ended 31 December 2011 (together with the audit report prepared in connection therewith), which appear on pages 9 to 80 of the Guarantor's Annual Report and Accounts for the year ended 31 December 2011;
- (6) the Terms and Conditions of the Dated Tier 2 Notes contained in the Prospectus dated 29 October 2010; and
- (7) the Terms and Conditions of the U.S. \$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes contained in the Drawdown Prospectus dated 2 May 2012.

Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, approved by the FSA for the purpose of the Prospectus Directive, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Where a document listed above has been extracted from another document, the remainder of the document from which it is extracted is not relevant for the purposes of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not constitute part of this Prospectus. Items (1) to (5) listed above were prepared in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

## **SUPPLEMENTAL PROSPECTUS**

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”), the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

Each of the Issuer and the Guarantor (in respect of the Guaranteed Notes) has given an undertaking to the Dealers in the Dealer Agreement (as defined in “Subscription and Sale” herein) that it will comply with Section 87 of the FSMA and, if required by law, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in “Terms and Conditions of the Senior Notes”, “Terms and Conditions of the Dated Tier 2 Notes”, “Terms and Conditions of the Undated Tier 2 Notes” or “Terms and Conditions of the Tier 1 Notes” below shall, as appropriate, have the same meanings in this overview.*

<b>Issuer:</b>	Aviva plc.
<b>Guarantor of the Senior Notes:</b>	Where elected in the applicable Final Terms (as defined below), Aviva Insurance Limited will guarantee Senior Notes. Tier 2 Notes and Tier 1 Notes will not be guaranteed.
<b>Description:</b>	Euro Note Programme.
<b>Size:</b>	Up to £5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger:</b>	Citigroup Global Markets Limited.
<b>Dealers:</b>	Barclays Bank PLC Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc Morgan Stanley & Co. International plc Société Générale The Royal Bank of Scotland plc  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent:</b>	HSBC Bank plc
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable final terms document (the “Final Terms”).
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
<b>Form of Notes:</b>	The Notes may be issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”).  Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made

available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Overview of the Programme — Selling Restrictions”); otherwise such Tranche will be represented by a permanent Global Note.

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be for one or more clearing systems are referred to as “Global Certificates”. Global Certificates may be issued in NSS form.

**Clearing Systems:**

Clearstream, Luxembourg and Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche of Senior Notes, if the relevant Global Note represents Bearer Notes and is in NGN form, the relevant Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche of Senior Notes, if the relevant Global Certificates represent Registered Notes and are in NSS form, the relevant Global Certificates will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

On or before the issue date for each Tranche of Tier 1 Notes or Tier 2 Notes or Senior Notes (if the relevant Global Note is in CGN form), the relevant Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations, and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

**Maturities:**

Subject to compliance with all relevant laws, regulations, directives, and requirements of the FSA, Dated Tier 2 Notes may have any maturity. Undated Tier 2 Notes and Tier 1 Notes will be perpetual and will not have a stated maturity. Subject to compliance with all relevant laws, regulations and directives, Senior Notes may be issued with any maturity between one month and 30 years.

**Specified Denomination:**

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

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.



<b>Reset Notes (Tier 2 Notes only):</b>	Fixed interest will be payable at an initial rate of interest in arrear on the date or dates in each year for an initial period as specified in the relevant Final Terms. Thereafter, the interest rate may be recalculated on certain dates specified by reference to a mid-market swap rate for the relevant currency, and for a period equal to the reset period, of the Notes, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.</li> </ul> <p>Interest periods will be specified in the relevant Final Terms.</p>
<b>Zero Coupon Notes — Senior Notes only:</b>	Zero Coupon Notes (as defined in “Terms and Conditions of the Senior Notes”) may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Final Terms.
<b>Redemption:</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Redemption of Dated Tier 2 Notes prior to their stated maturity is subject to prior written notice to, and the absence of objection from, the FSA as more fully described in “Terms and Conditions of the Dated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options”. Undated Tier 2 Notes and Tier 1 Notes have no Final Maturity Date and are only redeemable or repayable in accordance with “Terms and Conditions of the Undated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options” and “Terms and Conditions of the Tier 1 Notes — Redemption, Substitution, Variation, Purchase and Options”, respectively.
<b>Replacement Capital Covenant — Tier 1 Notes only:</b>	The relevant Final Terms of any Series of Tier 1 Notes will specify if the Issuer intends to enter into a replacement capital covenant for the benefit of one or more designated series of the Issuer’s debt securities. It is anticipated that the terms of any such replacement capital covenant will provide that the Issuer will not redeem or repurchase any of the relevant Tier 1 Notes and will not permit any subsidiary to purchase any of the relevant Tier 1 Notes, unless and to the extent the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a specified percentage of such net proceeds) received by the Issuer or its Subsidiaries during the six months prior to such redemption, repurchase or purchase date, from new issuances of qualifying securities and that the covenant will terminate on the redemption of such Tier 1 Notes if not terminated earlier in accordance with its terms. Any such replacement capital covenant will continue to be effective following any substitution or variation of the Tier 1 Notes in accordance with their terms.

**Optional Redemption:**

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed at the option of the Issuer and/or (in the case of Senior Notes only) the holders (either in whole or in part), and if so the terms applicable to such redemption. No Tier 1 Notes or Tier 2 Notes may be redeemed at the option of the holders of such Notes.

**Status of Senior Notes:**

The Senior Notes and the Guarantee (as defined in “Terms and Conditions of the Senior Notes”) in respect of the Guaranteed Notes constitute direct, unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively.

**Status of Dated Tier 2 Notes:**

The Dated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Dated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined in “Terms and Conditions of the Dated Tier 2 Notes”) of the Issuer but shall rank at least pari passu with all other obligations of the Issuer which constitute Lower Tier 2 Capital (issued prior to Solvency II Implementation (as defined in “Terms and Conditions of the Dated Tier 2 Notes”) or Tier 2 Capital (issued on or after Solvency II Implementation (as defined in “Terms and Conditions of the Dated Tier 2 Notes”)) and shall rank in priority to Existing Undated Tier 2 Securities (as defined in “Terms and Conditions of the Dated Tier 2 Notes”), all obligations of the Issuer which constitute Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions by the FSA) and all classes of share capital of the Issuer.

Except as provided in Condition 3(b) of the Dated Tier 2 Notes, all payments in respect of the Dated Tier 2 Notes shall be conditional upon the Issuer being solvent as contemplated under “Terms and Conditions of the Dated Tier 2 Notes — Status” at the time for payment by the Issuer, and no amount shall be payable in respect of the Dated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.

**Status of Undated Tier 2 Notes:**

The Undated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Undated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined in “Terms and Conditions of the Undated Tier 2 Notes”) of the Issuer but shall rank at least pari passu with all other obligations of the Issuer which constitute Existing Undated Tier 2 Securities (as defined in “Terms and Conditions of the Undated Tier 2 Notes”) if the Undated Tier 2 Notes are issued prior to Solvency II Implementation (as defined in “Terms and Conditions of the Undated Tier 2 Notes”) or Tier 2 Capital (issued on or after Solvency II Implementation) if the Undated Tier 2 Notes are issued on or after Solvency II Implementation and in priority to the claims of holders of Existing Undated Tier 2 Securities if the Undated Tier 2 Notes are issued on or after Solvency II Implementation, those whose claims constitute Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions by the FSA) and to the claims of holders of all classes of share capital of the Issuer.

Except as provided in Condition 3(b) of the Undated Tier 2 Notes, all payments in respect of the Undated Tier 2 Notes shall be conditional upon the Issuer being solvent as contemplated under “Terms and Conditions of the Undated Tier 2 Notes — Status” at the time for payment by the Issuer, and no amount shall be payable in respect of the Undated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.

**Status of Tier 1 Notes:**

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

Except as provided in Condition 3(c) of the Tier 1 Notes, all payments in respect of the Tier 1 Notes shall be conditional upon the Issuer being solvent as contemplated by the “Terms and Conditions of the Tier 1 Notes — Status” at the time for payment by the Issuer, and no amount shall be payable in respect of the Tier 1 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.

**Interest Deferral — Dated Tier 2 Notes:**

The Issuer may on any Optional Interest Payment Date defer payments of interest on Dated Tier 2 Notes.

The Issuer is required to defer any payment of interest on Dated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing).

**Interest Deferral — Undated Tier 2 Notes:**

The Issuer may elect to defer any payment of interest on those Undated Tier 2 Notes which are Option A Notes which would otherwise be payable on any Interest Payment Date.

The Issuer may, on any Discretionary Interest Payment Date, defer payment of interest on those Undated Tier 2 Notes which are Option B Notes which would otherwise be payable on such date.

The Issuer is required to defer any payment of interest on Undated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing).

**Interest Deferral — Tier 1 Notes:**

The Issuer may elect to defer any payment of interest on those Tier 1 Notes which are Option A Notes which would otherwise be payable on an Interest Payment Date.

The Issuer may, on any Discretionary Interest Payment Date, defer any Interest Payment on those Tier 1 Notes which are Option B Notes which would otherwise be payable on such date.

**Negative Pledge — Senior Notes only:**

Applicable to Senior Notes only. See “Terms and Conditions of the Senior Notes — Negative Pledge”.

**Early Redemption, Variation or Substitution for Taxation Reasons, Capital Disqualification Event and Rating Methodology Event:**

The Tier 1 Notes and the Tier 2 Notes may, subject as provided in Condition 6 of the relevant Terms and Conditions, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Outstanding Payments/Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event or, in the case of Tier 2 Notes only, a Rating Methodology Event (if Rating Methodology Call is specified) the Tier 1 Notes and the Tier 2 Notes may be (i) substituted for, or their terms varied so that they

become, Qualifying Tier 1 Securities, Qualifying Upper Tier 2 Securities, Qualifying Lower Tier 2 Securities or Rating Agency Compliant Securities, whichever is relevant; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, (y) a Capital Disqualification Event, at the Special Redemption Price or (z) a Rating Methodology Event, at the Special Redemption Price, together in each case with any Outstanding Payments/Arrears of Interest, all as more particularly described in “Terms and Conditions of the Dated Tier 2 Notes/Undated Tier 2 Notes/Tier 1 Notes — Redemption, Substitution, Variation, Purchase and Options”.

The Senior Notes may, subject as provided in Condition 6(c) of the Senior Notes, be redeemed at their Early Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption at the option of the Issuer if the Issuer or, in the case of Guaranteed Notes, the Guarantor becomes obliged to pay additional amounts in respect of withholding tax.

**Substitution Event — Tier 1 Notes only:**

Upon the occurrence and continuation of a Substitution Event, the Issuer may, subject as provided in Condition 6 of the Tier 1 Notes, substitute the Tier 1 Notes by Substituted Preference Shares, all as more particularly described in “Terms and Conditions of the Tier 1 Notes — Redemption, Substitution, Variation, Purchase and Options — (i) Substitution for Substituted Preference Shares”.

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding, or deduction for or on account of, taxes of the United Kingdom unless required by law, in which case, subject to customary exceptions (including the standard exceptions recommended by the International Capital Market Association), such additional amounts will also be paid as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no withholding or deduction been required — see Terms and Conditions of the Senior Notes, Dated Tier 2 Notes, Undated Tier 2 Notes and the Tier 1 Notes.

**Governing Law:**

English.

**Listing:**

Applications have been made to list Notes issued under the Programme for the period of 12 months from the date of this Prospectus on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms. If specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Ratings:**

Tranches of Senior Notes, Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes may be rated or unrated. As at the date of this Prospectus, S&P has assigned a rating of A to the Guaranteed Notes, of BBB to the Dated Tier 2 Notes, of BBB to the Undated Tier 2 Notes which are Option A Notes, of BBB to the Undated Tier 2 Notes which are Option B Notes, of BBB to the Tier 1 Notes which are Option A Notes and of BBB to the Tier 1 Notes which are Option B Notes. As at the date of this Prospectus, S&P have not assigned a rating to the unguaranteed Senior notes; however, it is expected that these will be assigned a rating of A-. In addition, Moody’s has assigned a rating of A1 to the Guaranteed Notes, of A3 to the Dated Tier 2 Notes, of A3 to the Undated Tier 2 Notes, of Baa1 to the Tier 1 Notes. As at the date of this prospectus, Moody’s have not assigned a rating to the unguaranteed Senior notes; however, it is expected that these will be assigned a rating of A2. However, the ratings assigned by any ratings agency may

change from time to time. Any rating applicable to any Tranche of Notes issued will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:**

United States, EEA, United Kingdom, Hong Kong, Japan, Singapore, Switzerland and Australia. See “Subscription and Sale”.

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

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

**Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations (as appropriate) under Notes issued under the Programme and the Guarantee include:**

***Ongoing difficult conditions in the global financial markets and the economy generally may adversely affect the Group's business and results of operations, and these conditions may continue.***

The Group's results of operations are materially affected by uncertainty in the worldwide financial markets and macro-economic conditions generally. A wide variety of factors, including concerns over slowing growth, high sovereign debt within, and to a lesser degree outside, the eurozone, the stability and solvency of financial institutions, longer-term low interest rates in developed markets, inflationary threats as well as geopolitical issues in the Middle East and North Africa, have contributed to increased volatility in the financial markets and diminished expectations for the global economy going forward. Global fixed income markets continue to experience periods of both volatility and limited market liquidity, which have affected a broad range of asset classes and sectors.

Factors relating to general economic conditions, such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of the Group's business. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected. In addition, the Group may experience an elevated incidence of claims or surrenders of policies. Any potential material adverse affect will also be dependent upon customer behaviour and confidence.

***As a global business, the Group is exposed to various local political, regulatory and economic conditions, business risks and challenges which may affect the demand for the Group's products and services, the value of the Group's investment portfolios and the credit quality of local counterparties.***

The Group offers its products and services in Europe (including the UK), North America and the Asia Pacific region through wholly owned and majority-owned subsidiaries, joint ventures, companies in which the Group hold non-controlling equity stakes, agents and independent contractors. The Group's international operations expose it to different local political, regulatory, business and financial risks and challenges which may affect the demand for the Group's products and services, the value of the Group's investment portfolio, the required levels of capital and surplus, and the credit quality of local counterparties. These risks include, for example, political, social or economic instability in countries in which the Group operates, discriminatory regulation, credit risks of the Group's counterparties, lack of local business experience in certain markets, risks associated with exposure to insurance industry insolvencies through policyholder guarantee funds or similar mechanisms set up in markets in which the Group is present and, in certain cases, risks associated with the potential incompatibility with foreign partners, especially in countries in which it is conducting business through entities which it does not control. Some of the Group's international insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. The Group's overall success as a global business depends, in part, upon the Group's ability to succeed in different economic, social and political conditions.

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***Market developments and government actions regarding the sovereign debt crisis in Europe, particularly in Greece, Ireland, Italy, Portugal and Spain, could have a material adverse effect on the Group's results of operations, financial condition and liquidity.***

Global markets and economic conditions have been negatively impacted by the ability of certain European Union ("EU") member states to service their sovereign debt obligations. The continued uncertainty over the outcome of various EU and international financial support programmes and the possibility that other EU member states may experience similar financial pressures could further disrupt global markets. In particular, this crisis has disrupted, and could further disrupt, equity and fixed income markets, and has resulted in volatile bond yields on the sovereign debt of EU members.

The issues arising out of the current sovereign debt crisis may transcend Europe, cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies, and likewise affect UK and US based financial institutions, the stability of the global financial markets and any economic recovery. The Group holds investments in UK and non-UK securities.

If an EU member state were to default on its obligations or seek to leave the eurozone, or the eurozone were broken up entirely, the impact on the financial and currency markets would be significant and could impact materially all financial institutions, including the Group. Such events could adversely affect the Group's business and results of operations, financial condition and liquidity.

***Credit spread volatility may adversely affect the net unrealised value of the Group's investment portfolio and the Group's results of operations.***

The Group's exposure to credit spreads primarily relates to market price variability associated with changes in credit spreads in the Group's investment portfolio, which is largely held to maturity. Credit spread moves may be caused by changes in the perception of the credit worthiness of the issuer, or from market factors such as the market's risk appetite and liquidity. A widening of credit spreads will generally reduce the value of fixed income securities the Group holds. Conversely, credit spread tightening will generally increase the value of fixed income securities the Group holds. It can be difficult to value certain of the Group's securities if trading becomes less liquid. Accordingly, valuations of investments may include assumptions or estimates that may have significant period to period changes that could have a material adverse effect on the Group's consolidated results of operations or financial condition. Downturns in the net unrealised value of the Group's investment portfolio may also have a material adverse effect on its regulatory capital surplus based on the EU Insurance Groups Directive. Although the Group's financial statements reflect the market value of assets, the Group's priority remains the management of assets and liabilities over the longer term.

***Losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, could adversely affect the value of the Group's investments and reduce the Group's profitability and shareholders' equity.***

The Group chooses to take and manage credit risk through investment assets partly to increase returns to policyholders whose policies the assets back, and partly to optimise the return for shareholders.

The Group has a significant exposure to third parties that owe it money, securities or other assets who may not perform under their payment obligations. These parties include private sector and government (or government-backed) issuers whose debt securities the Group holds in its investment portfolios (including mortgage-backed, asset-backed, government bonds and other types of securities), borrowers under residential and commercial mortgages and other loans, re-insurers to which the Group has ceded insurance risks, customers, trading counterparties, and counterparties under swap and other derivative contracts. The Group also executes transactions with other counterparties in the financial services industry, including brokers and dealers, commercial and investment banks, hedge funds and other investment funds, insurance groups and institutions. Many of these transactions expose the Group to credit risk in the event of default of the Group's counterparty.

In addition, with respect to secured transactions, the Group's credit risk may be increased when the collateral held by it cannot be realised or is liquidated at prices insufficient to recover the full amount of the loan or other value due. The Group also has exposure to financial institutions in the form of

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unsecured debt instruments and derivative transactions. Such losses or impairments to the carrying value of these assets could materially and adversely affect the Group's financial condition and results of operations.

The Group uses reinsurance and hedging programmes to hedge various risks, including certain guaranteed minimum benefits contained in many of its long-term insurance and fund management products. These programmes cannot eliminate all of the risks and no assurance can be given as to the extent to which such programmes will be effective in reducing such risks. The Group enters into a variety of derivative instruments, including options, forwards, interest rate and currency swaps, with a number of counterparties. The Group's obligations under its fund management and life products are not changed by its hedging activities and the Group is liable for its obligations even if its derivative counterparties do not pay the Group. Defaults by such counterparties could have a material adverse effect on the Group's financial condition and results of operations.

The Group is also susceptible to an adverse financial outcome from a change in third-party credit standing. As well as having a potential impact on spreads, rating movements can trigger solvency and accounting impacts and can drive management actions and the realisation of losses, particularly where investment mandates set counterparty and portfolio limits based on ratings.

***Changes in interest rates may cause policyholders to surrender their contracts, reduce the value of the Group's investment portfolio and impact on its asset and liability matching, which could adversely affect its results of operation and financial condition.***

The Group's exposure to interest rate risk relates primarily to the market price and cash flow variability of assets and liabilities associated with changes in interest rates.

Some of the Group's products, principally traditional participating products, universal life insurance and annuities, including fixed and equity indexed annuities, expose the Group to the risk that changes in interest rates will reduce its 'spread', or the difference between the amounts that the Group is required to pay under the contracts and the rate of return the Group is able to earn on investments intended to support obligations under the contracts. The Group's spread is a key component of its net income.

As interest rates decrease or remain at low levels, the Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing its investment return. Moreover, borrowers may prepay or redeem the fixed-income securities, commercial mortgages and mortgage-backed securities in the Group's investment portfolio with greater frequency in order to borrow at lower market rates which increases this risk. Lowering interest crediting or policyholder bonus rates can help offset decreases in investment margins on some products. However, the Group's ability to lower these rates could be limited by competition or by contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, the Group's spread could decrease or potentially become negative. The Group's expectation for future spreads is an important component in the amortisation of policy acquisition costs and significantly lower spreads may cause it to accelerate amortisation, thereby reducing net income in the affected reporting period. In addition, during periods of declining interest rates, the guarantees within existing life insurance and annuity products may be more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year to year, during a period when the Group's new investments carry lower returns. Accordingly, during periods of declining interest rates, profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and returns on the Group's investment portfolio.

Increases in market interest rates could also negatively affect the Group's profitability. Surrenders of life insurance policies and fixed annuity contracts may increase as policyholders seek higher returns and higher guaranteed minimum returns. Obtaining cash to satisfy these surrenders may require the Group to liquidate fixed maturity investments at a time when market prices for those assets are depressed which may result in realised investment losses. Regardless of whether the Group realises an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease its net income. Premature withdrawals may also cause it to accelerate amortisation of policy acquisition costs, which would also reduce its net income.



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The Group's mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration approximately equal to the duration of the Group's estimated liability cash flow profile. However, it may not be possible to hold assets that will provide cash flows to exactly match those relating to policyholder liabilities, in particular in jurisdictions with less developed bond markets and in certain markets where regulated surrender value or maturity values are set with reference to the interest rate environment prevailing at the time of policy issue. This is due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of suitable duration. This results in a residual asset/liability mismatch risk that can be managed but not eliminated. In addition, the Group's estimate of the liability cash flow profile may be inaccurate for other reasons, such as varying mortality or general insurance claims, and the Group may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. Such a loss could have a material adverse effect on the Group's results of operations and financial condition.

***Falls in equity or property prices could have an adverse impact on the Group's investment portfolio and impact on its results of operations and shareholders' equity.***

The Group is subject to equity and property price risk due to holdings of equities and investment properties in a variety of locations worldwide. Downturns in equity markets will depress equity prices and have a negative impact on the Group's capital position in that unrealised losses in its net investment portfolio will increase, and the Group's defined benefit pension scheme surplus/deficit will reduce/increase as the market value of scheme assets invested in equities decreases.

Downturns and volatility in equity markets can have a material adverse effect on the revenues and returns from the Group's unit-linked, participating and fund management business. The unit-linked and fund management business depends on fees related primarily to the value of assets under management and would therefore be reduced by declines in equity and property markets. Profits could also be reduced as a result of current investors withdrawing funds or reducing their rates of ongoing investment with the Group's fund management companies, or switching to lower risk funds generating lower income, or as a result of its fund management companies failing to attract funds from new investors. Similarly, bonuses credited to participating policyholders will reduce following declines in equity and property markets and this will generally also lead to reductions in transfers to shareholders.

Downturns in equity markets may also have a material adverse effect on the Group's regulatory capital surplus as measured under the EU Insurance Groups Directive. The Group provides certain guarantees within some of its products that protect policyholders against significant downturns in the equity markets. In volatile or declining equity market conditions, the Group may need to increase liabilities for future policy benefits and policyholder account balances, negatively affecting net income.

In the Group's US business in particular, market downturns and volatility may discourage purchases of accumulation products, such as equity-indexed annuities and equity-indexed life insurance, that have returns linked to the performance of the equity markets and may cause some of the Group's existing customers to withdraw cash values or reduce investments in those products. A sustained weakness in the markets will decrease revenues and earnings in these types of products.

For property investment, the Group is subject to counterparty, valuation and liquidity risks. These investments may be adversely affected by weakness in property markets and increased mortgage delinquencies. The Group is also subject to property risk indirectly in its investments in residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"). There is the risk that the underlying collateral may fall in value causing the investment in securities to fall in value. The markets for these property investments and instruments can become illiquid, and issues relating to counterparty credit ratings and other factors may increase pricing and valuation uncertainties.

***Fluctuations in currency exchange rates may adversely affect the Group's results of operations and financial condition.***

The Group operates internationally and is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. For the year ended 31 December 2011, a significant proportion of the Group's premium income was in currencies other than sterling, and its

net assets were denominated in a variety of currencies, of which the largest are the euro, sterling and US dollar. In managing the Group's foreign currency exposures, it does not hedge revenues as these are substantially retained locally to support the growth of the business and meet local regulatory and market requirements. Nevertheless, the effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the Group's consolidated financial statements upon translation of the results into sterling. Although the Group takes certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect its reported results due to unhedged positions or the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation. Any adverse foreign currency exchange fluctuation may also have a material adverse effect on the Group's regulatory capital surplus based on the EU Insurance Groups Directive.

***Market fluctuations may cause the value of options and guarantees embedded in some of the Group's life insurance products to exceed the value of the assets backing their reserves, which could adversely affect its results of operations or financial condition.***

As a normal part of their operating activities, various Group companies have given guarantees and options, including interest rate and investment return guarantees, in respect of certain long-term insurance and fund management products. In providing these guarantees and options, the Group's capital position is sensitive to fluctuations in financial variables, including foreign currency exchange rates, interest rates, property values and equity prices.

Interest rate guaranteed returns, such as those available on guaranteed annuity options ("GAOs"), are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made.

Periods of significant and sustained downturns in equity markets, increased equity volatility or reduced interest rates could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, resulting in a reduction to net income. The Group uses reinsurance in combination with derivative instruments to mitigate some of the liability exposure and the volatility of net income associated with these liabilities, and while the Group believes that these and other actions mitigate the risks related to these benefits, it remains liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay.

The Group is also subject to the risk that the cost of hedging these guaranteed minimum benefits increases, resulting in a reduction to net income. In addition, the Group is subject to the risk that unanticipated policyholder behaviour or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. These, individually or collectively, may have a material adverse effect on the Group's results of operations, financial condition or liquidity.

***The determination of the amount of allowances and impairments taken on the Group's investments is highly subjective. If the Group's business does not perform well, it may be required to recognise an impairment of its goodwill or intangibles with indefinite and finite useful lives, which could adversely affect the Group's results of operations or financial condition.***

The determination of the amount of allowances and impairments vary by investment type and is based upon the Group's periodic evaluation and assessment of known risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available and additional impairments may need to be taken or allowances provided for in the future. If the carrying value of an investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in the Group's financial statements.

Goodwill represents the excess of the amounts paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. The Group tests goodwill and intangible assets with indefinite useful lives at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. The Group tests intangibles with finite lives when

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circumstances or events indicate there may be uncertainty over this value. For impairment testing, goodwill and intangibles have been allocated to cash-generating units by geographical reporting unit and business segment.

The fair value of the reporting unit is impacted by the performance of the business. Goodwill, negative unallocated divisible surplus and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying value. Such write downs could have a material adverse effect on the Group's results of operations or financial condition.

***Adverse capital and credit market conditions may affect the Group's ability to meet liquidity needs and to access capital which could adversely affect its results of operations or financial condition.***

At a Group level, the Group needs some of its invested assets to be liquid to pay its operating expenses, taxes, interest on its debt, dividends on its capital stock and repay maturing debt. At an operational level the Group also needs liquidity to meet insurance claims. Without sufficient liquidity, the Group could be forced to curtail its operations and its business would suffer. The principal sources of the Group's liquidity are insurance premiums, annuity considerations, deposit funds and cash flow from the Group's investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short and long-term instruments, including repurchase agreements, commercial paper, medium and long-term debt, junior subordinated debt, securities, capital securities and stockholders' equity.

The Group holds certain investments that may lack liquidity such as privately placed fixed-maturity securities, and unlisted equities, as the inputs used for their valuation are not directly observable in the market. These asset classes represented 4.7% of total financial assets held at fair value as of 30 June 2012. As has been the case across the industry, even some higher-quality assets have been more illiquid as a result of the recent challenging market conditions.

The reported value of the Group's relatively illiquid types of investments, its investments in the asset classes described in the paragraph above and, at times, its higher-quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If the Group were forced to sell certain of its assets in the current market, there can be no certainty that the Group would be able to sell them for the prices at which it has recorded them and the Group may be forced to sell them at significantly lower prices.

The Group may need to seek additional financing in the event internal resources are not sufficient to meet its needs. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry and the market's perception of the Group's financial condition. Disruptions and uncertainty or volatility in the capital and credit markets may exert downward pressure on availability of liquidity and credit capacity for certain issuers and may limit the Group's access to capital required to operate and grow its business. Such market conditions may limit the Group's ability to replace, in a timely manner, maturing debt, satisfy statutory capital requirements and generate fee income and market-related revenue to meet liquidity needs.

As such, the Group may be forced to delay raising capital, issue shorter-term securities than it prefers, or bear an unattractive cost of capital which could decrease profitability and reduce financial flexibility. The Group's results of operations, financial condition and cash flows could be materially adversely affected.

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

Historically, the insurance industry has been cyclical and operating results of insurers have fluctuated because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any insurer. Although the Group has a geographically diverse group of businesses providing a wide range of products, it expects to experience the effects of this cyclical nature, including changes in sales and premium levels. The unpredictability and competitive nature of the general insurance business has contributed historically to significant quarter-to-quarter and year-to-year fluctuations in underwriting results and net earnings.

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***The use of inaccurate assumptions in pricing and reserving for insurance business may have an adverse effect on the Group's business profitability.***

The Group's life insurance companies are required to make a number of assumptions in relation to the business written, including the mortality and morbidity rates of the Group's customers, the development of interest rates, persistency rates (the rates at which customers terminate existing policies prior to their maturity dates) and future levels of expenses. These assumptions may turn out to be incorrect.

When establishing their liabilities, the Group's life insurance companies allow for changes in the assumptions made, monitor their experience against the actuarial assumptions used and assess the information gathered to refine their long-term assumptions, together with taking actual claims experience into account. However, it is not possible to determine precisely the total amounts that will ultimately be paid under the policies written by the business as amounts may vary from estimates. Changes in assumptions may also lead to changes in the level of capital required to be maintained, meaning that the Group may need to increase the amount of its reserves. This could have a material adverse impact on the Group's value, the results of its operations and financial condition.

Additionally, the Group's management of the general insurance business requires the general insurance companies to make a number of assumptions in relation to the business written. These assumptions include the costs of writing the business and settling claims, and the frequency and severity of claims. The assumptions may turn out to be incorrect, thereby adversely impacting on the Group's profit. Additionally, man-made disasters, including accidents and intentional events, are particularly difficult to predict with a high degree of accuracy. These would also have an adverse impact on the Group's profit due to higher than expected claims.

Furthermore, outstanding claims provisions for the general insurance business are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with related claims handling costs. Any provisions for re-opened claims are also included. A range of methods, including stochastic projections, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement pattern of claims.

If the assumptions underlying the reserving basis were to prove incorrect, the Group might have to increase the amount of the general insurance provisions, which would adversely impact its financial condition or results of operations.

***The Group has a significant exposure to annuity business and a significant life insurance risk is associated with longevity.***

Longevity statistics are monitored in detail, compared with emerging industry trends, and the results are used to inform both the reserving and pricing of annuities. It is likely that uncertainty will remain in the development of future longevity that cannot be mitigated.

A strengthening in the longevity assumption, either to reflect changes in the underlying life expectancy of the population or of the Group's particular portfolio used to calculate its long-term business liabilities, would result in an increase in these reserves and reduce shareholders' equity.

***If the Group's business does not perform well or if actual experience versus estimates used in valuing and amortising Deferred Acquisition Costs ("DAC") and Acquired value of in-force business ("AVIF") varies significantly, the Group may be required to accelerate the amortisation and/or impair the DAC and AVIF which could adversely affect the results of operations or financial condition.***

The Group incurs significant costs in connection with acquiring new and renewal business. Those costs that vary with and are driven by the production of new and renewal business are deferred and referred to as DAC. The recovery of DAC is dependent upon the future profitability of the related business. The amount of future profit or margin is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency and expenses to administer the business. Of these factors, investment margins and general insurance underwriting profit are most likely to impact the rate of amortisation of such costs. The aforementioned factors enter into management's estimates of gross profits or margins, which generally are used to amortise such costs. If the estimates of gross profits or margins were overstated, then the amortisation of such costs would be accelerated in the period the actual amount is known and would result in a charge to

income. Significant or sustained equity market declines could result in an acceleration of amortisation of the DAC related to unit-linked business, resulting in a charge to income. Such adjustments could have a material adverse effect on the results of operations or financial condition.

AVIF reflects the estimated present value of future profits that will emerge over the remaining life of certain in-force contracts in a life insurance company, acquired either directly or through the purchase of a subsidiary, and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and investment contracts in-force at the acquisition date. AVIF is based on actuarially determined projections. Actual experience may vary from the projections. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in impairment and a charge to income. Where AVIF is amortised, an acceleration of the amortisation of AVIF would occur if the estimates of gross profits or margins were overstated in the period in which the actual experience is known and would result in a charge to net income. Such adjustments could have an adverse effect on the Group's results of operations or financial condition.

***Catastrophic events, which are often unpredictable by nature, could result in material losses and abruptly and significantly interrupt the Group's business activities.***

The Group's business is exposed to volatile natural and man-made disasters such as pandemics, hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure.

The Group's life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of such a pandemic could have a material impact on the losses experienced by the Group.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, pandemics, hurricanes, earthquakes and man-made catastrophes may produce significant damage in larger areas, especially those that are heavily populated. Catastrophic events could also harm the financial condition of the Group's reinsurers and thereby increase the probability of default on reinsurance recoveries and could also reduce its ability to write new business. Furthermore, pandemics, natural disasters, terrorism and fires could disrupt the Group's operations and result in significant loss of property, key personnel and information about the Group's clients and its business if its business continuity plans fail to cope with the scale or nature of the catastrophe. Such events could adversely affect the Group's business, results of operations, corporate reputation and financial condition for a substantial period of time.

Furthermore, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection it purchases. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Group's ability to write future business.

***All of the Group's businesses are subject to operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events.***

The Group's business is dependent on processing a large number of complex transactions across numerous and diverse products. Furthermore, the long-term nature of the majority of the Group's business means that accurate records have to be maintained for significant periods.

The Group also outsources several operations, including certain servicing and IT functions and is therefore partially reliant upon the operational processing performance of its outsourcing partners.

The Group's systems and processes on which it is dependent to serve its customers are designed to identify appropriately and address the operational risks associated with the Group's activities. However, they may nonetheless fail due to IT malfunctions, human error, intentional disruption or hacking of IT systems by third parties, business interruptions, non-performance by third parties or other external events. This could disrupt business operations resulting in material reputational damage

and the loss of customers, and have a consequent material adverse effect on the Group's results of operations and financial condition. Although the Group has taken steps to upgrade systems and processes to reduce these operational risks, it cannot anticipate the details or timing of all possible operational and systems failures which may adversely impact its business.

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

***The Group operates in several markets through arrangements with third parties. These arrangements involve certain risks that it does not face with its subsidiaries.***

The Group's ability to exercise management control over its partnership operations, its joint ventures and its investment in them depends on the terms of the legal agreements. In particular, the relationships depend on the allocation of control among, and continued co-operation between, the participants.

The Group may also face financial or other exposure in the event that any of its partners fail to meet their obligations under the agreement or encounter financial difficulty. For example, a significant proportion of the Group's product distribution, such as bancassurance, is carried out through arrangements with third parties not controlled by it and is dependent upon the continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect the Group's financial condition. Some of these arrangements require the Group's third-party partners to participate in and provide capital to its joint venture, associate and subsidiary undertakings. The Group's partners may change their strategic priorities or encounter financial difficulties preventing them from providing the necessary capital to promote future growth.

In addition, the Group outsources certain customer service, technology and legacy policy administration functions to third parties and may do so increasingly in the future. If the Group does not effectively develop and implement its outsourcing strategy, third-party providers do not perform as anticipated or the Group experiences technological or other problems with a transition to or between such providers, the Group may not realise the full extent of productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business.

***The failure to attract or retain the necessary personnel could have a material adverse effect on the Group's results and/or financial condition.***

As a global financial services organisation with a decentralised management structure, the Group relies to a considerable extent on the quality of local management in the countries in which the Group operates. The success of the Group's operations is dependent, among other things, on its ability to attract and retain highly qualified professional employees. Competition for such key employees is intense. The Group's ability to attract and retain key employees is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

***There are inherent funding risks associated with the Group's participation in defined benefit staff pension schemes.***

The Group operates both defined benefit and defined contribution staff pension schemes. The defined benefit section of the UK staff pension scheme was closed to new members from 1 April 2011, with entry into the defined contribution sections being offered to the staff members affected. Closure of the defined benefit scheme will remove the volatility associated with adding future accrual for active members.

There are inherent funding risks associated with the defined benefit schemes. Events could result in a material reduction in the funding position of such schemes and, in some cases, may result in a deficit between the pension scheme's assets and liabilities. The factors that affect the scheme's position include: poor investment performance of pension fund investments; greater life expectancy than assumed; adverse changes in interest rates or inflation; and other events occurring that increase the costs of past service benefits over the amounts predicted in the actuarial assumptions. In the short term, the funding position is inherently volatile due to movements in the market value of assets. Where a funding deficit or surplus arises, the position will be discussed with the scheme trustees to

agree appropriate actions. This may include a plan to fund the deficit over a period of years. Any surplus or deficit in the defined benefit pension scheme will affect shareholders' equity, although the IFRS position may diverge from the scheme funding position.

The Group values its Available for Sale and Fair Value securities using designated methodologies, estimation and assumptions. These securities, which are reported at fair value on the consolidated statement of financial position, represent the majority of the Group's total cash and invested assets. The Group has categorised the measurement basis for assets carried at fair value into a 'fair value hierarchy' in accordance with the valuation inputs and consistent with IFRS 7 Financial Instruments: Disclosures. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the middle priority to fair values other than quoted prices based on observable market information (Level 2); and the lowest priority to unobservable inputs that reflect the assumptions that the Group considers market participants would normally use (Level 3). The majority of the Group's financial assets are valued based on quoted market information (Level 1) or observable market data (Level 2). At 30 June 2012, 4.7% of total financial investments, loans and investment properties at fair value were classified as Level 3, amounting to £11,858 million. Where estimates were used for inputs to Level 3 fair values, these were based on a combination of independent third-party evidence and internally developed models, intended to be calibrated to market observable data where possible.

An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

***Systems errors or regulatory changes may affect the calculation of unit prices or deduction of charges for unit-linked products which may require the Group to compensate customers retrospectively.***

A significant proportion of the Group's product sales are unit-linked contracts, where product benefits are linked to the prices of underlying unit funds. While comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds due to human error in data entry, IT-related issues or other causes. Additionally, it is possible that policy charges which are deducted from these contracts are taken incorrectly, or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Any of these can give rise to compensation payments to customers. Controls are in place to mitigate these risks, but errors could give rise to future liabilities. Payments due to errors or compensation may negatively impact profits.

***The Group is rated by several rating agencies, and a decline in any of these ratings could affect the Group's standing among customers, broker-dealers, agents, wholesalers and other distributors of its products and services and cause the Group's sales and earnings to decrease.***

A rating downgrade, or the perceived potential for such a downgrade, of Aviva plc or any of its rated insurance subsidiaries may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. The outcome of such activities may be cash payments requiring the sale of invested assets, including illiquid assets, at a price that may result in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also cause the Group to accelerate amortisation of policy acquisition costs, which would reduce net income. A rating downgrade may also impact sales volumes, particularly in the US where there is more focus on ratings when evaluating similar products. The ratings provided by AM Best are widely considered to be the most important for distribution in the US, and a downgrade could lead to a significant loss of sales.

Similarly, a rating downgrade may increase the Group's cost of borrowing or limit its access to some forms of financing.

***The Group is dependent on the strength of its brand, the brands of its partners and its reputation with customers and agents in the sale of the Group's products and services.***

The Group's results are, to a certain extent, dependent on the strength of its brand and reputation. While the Group is well recognised, it is vulnerable to adverse market and customer perception. The Group operates in an industry where integrity, customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client

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information, inadequate services, amongst others, whether true or not, could impact the Group's brand or reputation. The Group's brand and reputation could also be affected if products or services recommended by it (or any of the Group's intermediaries) do not perform as expected (whether or not the expectations are founded) or in line with the customers' expectations for the product range. Such a change to the Group's brand strength could adversely affect its results of operations and financial condition.

***The Group may not be able to protect its intellectual property and may be subject to infringement claims by a third party.***

The Group's primary brand in the UK (Aviva) is a registered trade mark in the UK and elsewhere. The Group owns other registered or pending trade marks in the UK, including Community trade marks having effect in the entire EU. The Group relies on a combination of contractual rights, copyright and trademark laws to establish and protect its intellectual property. Although the Group uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate its intellectual property. The loss of intellectual property protection or the inability to secure or enforce the protection of the Group's intellectual property assets could have a material adverse effect on its business and its ability to compete.

Third parties may have, or may eventually be issued, patents or other protections that could be infringed by the Group's products, methods, processes or services or could limit its ability to offer certain product features. In recent years, there has been increasing intellectual property litigation in the financial services industry challenging, among other things, product designs and business processes. If a third party were to successfully assert an intellectual property infringement claim against the Group, or if the Group were otherwise precluded from offering certain features or designs, or utilising certain processes, it could have a material effect on the Group's business, results of operation and financial condition.

***The Group's businesses are conducted in highly competitive environments.***

There are many factors which affect the Group's ability to sell its products, including fiscal incentives, price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance and historical bonus levels. In some of the Group's markets, the Group faces competitors that are larger, have greater financial resources or greater market share, offer a broader range of products, benefit from more advantageous tax treatments, or have higher bonus rates or claims-paying ratios. Further, heightened competition for talented and skilled employees with local experience, particularly in the emerging, high-growth markets, may limit the Group's ability potential to grow businesses as quickly as planned.

The Group's principal competitors in the life market include many of the major financial services businesses including, in particular, Axa, Allianz, Generali, Prudential and Standard Life. The Group's principal competitors in the general insurance market include Royal Bank of Scotland Insurance, RSA, Zurich, Axa and Allianz.

The Group also faces competitors who specialise in many of the niche markets in which it operates. The Group believes that competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors.

The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

***The Group's regulated business is subject to extensive regulatory supervision both in the UK and internationally.***

The Group is subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental self-regulatory agencies, including the FSA and other regulators. In light of wider financial and economic conditions, some of these authorities are considering, or may in the future consider, enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group



conducts its business and manages its capital, and may require the Group to satisfy increased capital requirements.

Insurance regulation in the UK is largely based on the requirements of EU directives. Inconsistent application of directives by regulators in different EU member states may place the Group at a competitive disadvantage to other European financial services groups. In addition, changes in the local regulatory regimes of designated territories could affect the calculation of the Group's solvency position.

The Group's insurance subsidiaries worldwide are subject to detailed and comprehensive government regulation in each of the jurisdictions in which they conduct business. Regulatory agencies have broad administrative power over many aspects of the insurance business, which may include premium rates, marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. Government regulators are concerned primarily with the protection of policyholders rather than the Group's shareholders or creditors. In the UK, its business is subject to regulation by the FSA, which has broad powers under the FSMA, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources. The FSA has the power to take a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to award compensation. The FSA is being replaced by twin regulators, the Prudential Regulatory Authority and the Financial Conduct Authority. This change is proposed to take effect during the first half of 2013.

The FSA may make enquiries of the companies which it regulates regarding compliance with regulations governing the operation of business and, similar to the other UK regulated financial services companies, the Group faces the risk that the FSA could find that it has failed to comply with applicable regulations or has not undertaken corrective action as required.

Issues and disputes may arise from time to time from the way in which the insurance industry or fund management industry has sold or administered an insurance policy or other product or in the way in which they have treated policyholders or customers, either individually or collectively.

Where larger groups or matters of public policy are concerned, the FSA may intervene directly. There have been several industry-wide issues in recent years in which the FSA has intervened directly, including the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts and payment protection insurance.

Outside of the UK, the Group's businesses are regulated by local regulators that often have similar powers to the FSA and could therefore have a similar negative impact on perceptions of its businesses or have a material adverse effect on its business.

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

A determination that the Group has failed to comply with applicable regulation could have a negative impact on its results of operations or on its relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on the Group's business, its results of operations and financial condition and divert management's attention from the day-to-day management of the business.

The Group will not always be able to predict the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on the Group's business, results of operations and financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Group operate, which may be applied retrospectively, may adversely affect its product range, distribution channels, capital requirements, dividends payable by subsidiaries and, consequently, results and financing requirements.

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The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation.

The Solvency II Directive (“Solvency II”), an insurance industry regulation agreed by the European Parliament in 2009, will require European domiciled insurers to move to more risk-based capital requirements. The implementation date for Solvency II has been extended to January 2014 and may be extended further. There continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II and there is a risk that this could lead to a significant increase in the capital required to support the Group’s business.

***The Group is involved in various legal proceedings, regulatory investigations and examinations and may be involved in more in the future.***

The Group has been named as defendants in lawsuits, including class actions and individual lawsuits. The Group has been subject to regulatory investigations or examinations in the various jurisdictions where it operates. These actions arise in various contexts, including in connection with the Group’s activities as an insurer, securities issuer, employer, investment adviser, investor and taxpayer. Certain of these lawsuits and investigations seek significant or unspecified amounts of damages, including punitive damages, and certain of the regulatory authorities involved in these proceedings have substantial powers over the conduct and operations of the Group’s business.

Due to the nature of certain of these lawsuits and investigations, the Group cannot make an estimate of loss or predict with any certainty the potential impact of these lawsuits or investigations.

In the course of conducting insurance business, the Group receives general insurance liability claims, and becomes involved in actual or threatened related litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents that they cover and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty.

Additionally, it is possible that a regulator in one of the Group’s major markets may conduct a review of products previously sold, either as part of an industry-wide review or specific to it. The result of this review may be to compensate customers for losses they have incurred as a result of the products they were sold.

All of the above could adversely impact the Group’s results of operations or financial condition.

***From time to time, changes in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation may adversely impact the Group’s business.***

The Group operates in numerous tax jurisdictions around the world and face risks associated with changes in tax law, interpretation of tax law, changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge or a financial penalty.

If, as a result of a particular tax risk materialising, the tax costs associated with certain transactions are greater than anticipated, it could affect the profitability of those transactions.

There are also specific rules governing the taxation of policyholders. The Group is unable to predict accurately the impact of future changes in tax law on the taxation of life insurance and pension policies in the hands of policyholders. Amendments to existing legislation, particularly if there is the withdrawal of any tax relief, or an increase in tax rates, or the introduction of new rules, may affect the future long-term business and the decisions of policyholders. The impact of such changes upon the Group might depend on the mix of business in-force at the time of such change.

The design of life insurance products by the Group’s life insurance companies takes into account a number of factors, including risks and taxation. The design of long-term insurance products is based on the tax legislation in force at that time. Changes in tax legislation or in the interpretation of tax legislation may therefore, when applied to such products, have a material adverse effect on the financial condition of the relevant long-term business fund of the company in which the business was written.

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***The governance arrangements in place with Delta Lloyd N.V. could impact on how the Group can influence the risk profile and management of the internal operations of this financial investment, held at fair value through profit and loss.***

In July 2012, the Group sold 21% of its holding in Delta Lloyd N.V. (“Delta Lloyd”) (the Group’s Dutch long-term insurance, general insurance and fund management operation), reducing the Group’s holding to 19.8 per cent. of Delta Lloyd’s ordinary share capital, representing 18.6 per cent. of shareholder voting rights. The Group no longer retains significant influence over Delta Lloyd through its 19.8 per cent. shareholding however keeps the contractual right to appoint one member of Delta Lloyd’s Supervisory Board. The Group’s continuing interest in Delta Lloyd has been classified in the Issuer’s consolidated IFRS financial statements as a financial investment, held at fair value through profit and loss.

Delta Lloyd is subject to the provisions of Dutch corporate law and particularly the Dutch “full large company” regime. Under this regime, Delta Lloyd has a two-tier Board structure consisting of an Executive Board and a Supervisory Board. The Executive Board is the executive body and is responsible for day-to-day management of Delta Lloyd and for its strategy, policy and operations. The Supervisory Board advises and supervises Delta Lloyd’s Executive Board and is the body having the right to appoint and dismiss the Executive Board. The Supervisory Board’s approval is required for certain important decisions of the Executive Board.

For governance purposes, the Group’s interests are now represented through one member of the Supervisory Board, which has a duty to a wide variety of stakeholders, including Delta Lloyd’s shareholders. The members of the Supervisory Board are appointed by the general meeting based on nominations by the Supervisory Board directors, taking into account recommendations of the shareholders and the Works Council. These arrangements could impact on how the Group can influence the risk profile and management of Delta Lloyd’s internal operations. For further information on the potential impact that governance arrangements of the Group’s associates, including Delta Lloyd, could have on the business and financial condition of the Group, please see the section above entitled “*The Group operates in several markets through arrangements with third parties. These arrangements involve certain risks that it does not face with its subsidiaries.*”

***The Group is reliant on IT systems and there are risks that the Group’s current and legacy systems cannot be made to adapt to growth in the business or new styles of doing business.***

Key IT initiatives may not deliver what is required either on time or within budget or provide the performance levels required to support the current and future needs of the business. Significant resources are devoted to maintaining and developing IT systems to keep pace with developments within the insurance and fund management industries. Failure to do so could result in the inability to gather information for pricing, underwriting and reserving, and to attract and retain customers. The Group could also incur higher administrative costs both from the processing of business and potentially remediating disputes.

***The Group’s acquisitions may divert management attention and other resources and involve risks of undisclosed liabilities and integration issues.***

In recent years, the Group has completed a number of acquisitions around the world. The Group may make further acquisitions in the future. Growth by acquisition involves risks that could adversely affect the Group’s operating results, including the substantial amount of management time that may be diverted from operations to pursue and complete acquisitions. The Group’s acquisitions could also result in the incurrence of additional indebtedness, costs, contingent liabilities, and impairment and amortisation expenses related to goodwill and other intangible assets, all of which could materially adversely affect the Group’s businesses, financial condition and results of operations. Future acquisitions may have a dilutive effect on the ownership and voting percentages of existing shareholders. The Group may also finance future acquisitions with debt issuances or by entering into credit facilities, each of which could adversely affect the Group’s businesses, financial condition and results of operations. The businesses the Group has recently acquired include long-term insurance and savings, general insurance and health and fund management. There could be unforeseen liabilities that arise out of the businesses acquired and may acquire in the future which may not be covered by, or exceed the amount of, any indemnities provided to the Group by the sellers.

***Moves to simplify the operating structure and activities of the Group increase the reliance placed on core businesses and is subject to execution risk.***

As part of the Group's move to a more simplified structure, a number of business disposals and operational restructures have taken place and may continue to occur in the future. This includes the removal of the regional organisational structure and the potential sale of a number of non-core businesses. These changes are expected to reduce the operational costs of the Group and allow resources to be re-deployed in more capital efficient businesses. These changes may reduce operating profits in the short-term and will lead to changes in the geographical and product risk profile of the Group. The execution risk attached to the delivery of these changes could result in the failure to achieve cost savings, the loss of key staff, and disruption to core business activities and governance structures.

***The Group may face increased compliance costs as a result of recent legislation passed in the United States***

In March 2010, the United States passed legislation that would require non-United States financial institutions to enter into agreements to provide information on United States account holders beginning in 2013. If this information is not provided in a form and with contents satisfactory to the United States tax authorities, a non-United States financial institution will have a 30 per cent. withholding tax applied to certain amounts derived from United States sources. Under recently proposed United States Treasury regulations, no such withholding tax will be imposed on any payments made prior to 1 January 2014. At this time, it is not possible to quantify the costs of complying with the new legislation as the final rules are still to be determined.

***Holding company (applicable to Issuer only)***

The Issuer's insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, the Issuer's principal sources of funding are dividends from subsidiaries, shareholder-backed funds and any amounts that may be raised through the issuance of debt and commercial paper. Certain subsidiaries have regulatory restrictions that may limit the payment of dividends, which in some circumstances could limit the Issuer's ability to service payments to investors.

***Guarantor Company***

In addition to the risks described above, the following additional risks are specific to the Guarantor.

***General Insurance Risk***

The Guarantor is engaged in general insurance and health business in the UK. The Guarantor considers insurance risk within its general insurance activity to comprise fluctuations in the timing, frequency and severity of claims; the assessment and pricing of risk; and the adequacy of reserving. Such insurance risk may have an adverse effect on the Guarantor's financial results and impact the Guarantor's ability to meet its financial obligations, including under the Guarantee.

***Liquidity risk***

The Guarantor's investment strategy aims to ensure that the Guarantor has sufficient liquid funds to meet its expected obligations as they fall due. The ability of the Guarantor to meet its financial obligations, including under the Guarantee, is dependent upon the availability of cashflows from its subsidiaries and affiliated companies through dividends, inter-company advances and other payments as well as its own liquidity resources.

***Risks related to Notes generally***

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

***Modification, waivers and substitution***

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) subject (in the case of the Tier 1 Notes and the Tier 2 Notes) to receiving

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no objection from the FSA, any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer and/or in the case of Guaranteed Notes, as guarantor in place of the Guarantor, in each case in the circumstances described in the Terms and Conditions of the Notes.

#### *EU Savings Tax Directive*

Under measures implemented in order to comply with EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead be required (unless during that period they elect otherwise and subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) to operate a withholding system in relation to such payments. The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

#### *United States withholding tax may apply to payments on Notes, including as a result of the failure of a holder or a holder’s bank or broker to provide information to taxing authorities*

The United States may impose a withholding tax of as high as 30 per cent. on payments made with respect to the Notes. According to proposed regulations released by the United States Treasury Department on 8 February 2012, this withholding tax generally would only apply to payments on the Notes made on or after 1 January 2017, at the earliest. The withholding tax, when it applies, may be imposed at any point in a series of payments unless the relevant payee (including a bank, broker or individual) at each point complies with any information reporting, certification and related requirements. Accordingly, a holder that holds Notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because it fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. If a payment on the Notes is subject to this withholding tax, no additional amounts will be paid, and a holder of Notes will receive less than the amount of the expected payment.

#### *Notes where denominations involve integral multiples*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another similar amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the applicable Final Terms). In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

#### *Notes subject to optional redemption by the Issuer*

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

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

*Restricted remedy for non-payment*

In accordance with FSA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Notes) any holder of Notes for recovery of amounts owing in respect of the Tier 1 Notes and the Tier 2 Notes and Coupons will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer for such amounts.

***Risks related to the Tier 1 Notes****The Issuer's obligations under the Tier 1 Notes are subordinated*

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

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in the circumstances described in Condition 3(c) of the "Terms and Conditions of the Tier 1 Notes"), or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend there shall be payable by the Issuer in respect of each Tier 1 Note such amount, if any, as would have been payable to the holder of such Tier 1 Note if, on the day prior to the commencement of the winding-up or, as the case may be, the administration and thereafter, such holder were the holder of shares in the capital of the Issuer as follows (and for such purposes capitalised terms used in paragraphs (i) to (iii) below shall have the meanings given to them in Condition 18 of the "Terms and Conditions of the Tier 1 Notes"):

- (i) for each £1 (or, where the Specified Currency is other than pounds sterling, the relevant Specified Currency Unit) otherwise payable in respect of any Interest Payment, Deferred Interest Payment (which includes any Deferred Interest Payment which has not been settled in accordance with the AISM as a result of the Ordinary Shares Threshold, PIK Securities Threshold or Preferred Parity Securities Threshold, insufficiency or otherwise) or other amount payable in respect of, or arising from, each Tier 1 Note (including any damages awarded for breach of any obligations) in respect of which the conditions specified in Condition 3(b)(i) of the "Terms and Conditions of the Tier 1 Notes" are not satisfied on the date on which the same would otherwise be due and payable or which otherwise have not been satisfied, apart from principal: one preference share of £1 (or, as appropriate, the relevant Specified Currency Unit) each in the capital of the Issuer ranking equally with the Notional Preference Shares;
- (ii) subject to (iii) below, for each £1 (or, as appropriate, the relevant Specified Currency Unit) otherwise payable in respect of the principal amount of each Tier 1 Note: such number of Ordinary Shares of the Issuer then in issue whose nominal value aggregates to £1 (or, as appropriate, the relevant Specified Currency Unit) ranking equally with the issued Ordinary Shares; and
- (iii) if and to the extent that the principal amount of each Tier 1 Note exceeds the amount of Deferred Interest Payments attributable to such Tier 1 Note (the "excess amount"), for each £1 (or, as appropriate, the relevant Specified Currency Unit) of excess amount otherwise payable in respect of, or arising from, such Tier 1 Note: one preference share of £1 (or, as appropriate, the relevant Specified Currency Unit) each in the capital of the Issuer ranking equally with the Notional Preference Shares.

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

*Deferral of Interest Payments*

The Issuer may elect to defer any Interest Payment on those Tier 1 Notes which are Option A Notes and may, on any Discretionary Interest Payment Date, defer any Interest Payment on those Tier 1

Notes which are Option B Notes. If the Issuer does defer an Interest Payment (whether pursuant to the general right to defer an Interest Payment under Condition 5 of the Tier 1 Notes or by virtue of failing to satisfy the condition to payment set out in Condition 3(b)(i) of the Tier 1 Notes), such Deferred Interest Payment may be satisfied at any time by the Issuer giving 14 days' notice to the holders of the Notes and shall be satisfied upon the first of the following to occur: (i) redemption of the Notes in accordance with Condition 6(d) of the Tier 1 Notes; (ii) redemption, substitution or variation of the Notes in accordance with Condition 6 or (iii) substitution of the Notes by Substituted Preference Shares pursuant to Condition 6(i) of the Tier 1 Notes. Deferred Coupons may only (except following a Suspension and in the circumstances otherwise provided in Condition 5(c)(viii) of the Tier 1 Notes) be satisfied by means of the Alternative Interest Satisfaction Mechanism and the operation of such mechanism is subject to certain conditions (more particularly described in the Terms and Conditions of the Tier 1 Notes).

Except in the limited circumstances provided in Condition 5(c)(vi) of the Tier 1 Notes, no Deferred Interest Payment will bear interest.

#### *Perpetual Securities*

The Issuer is under no obligation to redeem the Tier 1 Notes at any time and the holders of Tier 1 Notes have no right to call for their redemption. The Issuer may from time to time, in connection with the issue of a Series of Tier 1 Notes, enter into a replacement capital covenant for the benefit of holders of certain of its outstanding debt. A replacement capital covenant would permit the Issuer to redeem such Series of Tier 1 Notes only to the extent it has raised sufficient net proceeds from the issuance of qualifying securities. See Condition 6(b) in the "Terms and Conditions of the Tier 1 Notes" for a summary of the terms of such a replacement capital covenant.

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

The Tier 1 Notes may, subject as provided in Condition 6 of the Tier 1 Notes, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Outstanding Payments at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Capital Disqualification Event, the Tier 1 Notes may be (i) substituted for, or their terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount or, (y) a Capital Disqualification Event, at the Capital Disqualification Redemption Price, together in each case with any Outstanding Payments, all as more particularly described in "Terms and Conditions of the Tier 1 Notes — 6. Redemption, Substitution, Variation, Purchase and Options".

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

The Substituted Preference Shares will, if so issued, be directly-issued non-cumulative preference shares of the Issuer and have terms that provide that (i) the Substituted Preference Shares shall rank in a winding-up of the Issuer *pari passu* with the Notes; (ii) the Substituted Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates; (iii) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the AISM incorporated in the terms of the Substituted Preference Shares); (iv) the Substituted Preference Shares may only be redeemed on the Substitution Preference Share Early Redemption Date or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(e) of the "Terms and Conditions of the Tier 1 Notes" and subject to the same conditions as those set out in Condition 6(b) of the "Terms and Conditions of the Tier 1 Notes"); (v) the Issuer shall not be required or entitled to effect, nor shall the Substituted Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Substituted Preference Shares or conversion of such Substituted Preference Shares into Ordinary Shares; (vi) on the winding up of the Issuer, each Substituted Preference Share shall entitle the holder thereof to a return of capital equal to its nominal amount and (vii) otherwise shall provide that the Substituted Preference Shares are not materially less

favourable to a holder thereof than the terms of the Tier 1 Notes and the Coupons taken together, as more particularly described in Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes”.

The tax consequences of holding preference shares following a substitution could be different for some categories of holder from the tax consequences for them of holding Tier 1 Notes. If so specified in the relevant Final Terms, the terms of Substituted Preference Shares may not provide for a step-up in the dividend rate matching any step-up in Coupon Rate payable on the Tier 1 Notes for which they are substituted.

*No limitation on issuing senior or pari passu securities*

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

*Use of the AISM to satisfy Deferred Interest Payments may be subject to caps*

The Issuer may satisfy AISM Payments only by means of issuing Ordinary Shares, PIK Securities and/or Preferred Parity Securities in accordance with “Terms and Conditions of the Tier 1 Notes — Deferral of Payments”. The ability of the Issuer to satisfy Deferred Interest Payments by means of issuing Ordinary Shares, PIK Securities or Preferred Parity Securities is subject to caps on the issue of such securities as referred to in “Terms and Conditions of the Tier 1 Notes — Deferral of Payments”. Consequently, if at any time when any Deferred Interest Payments fall to be satisfied, the Issuer has reached the caps, the Issuer will not be able to satisfy such Deferred Interest Payment to such extent for the life of such Tier 1 Notes (in the case of Preferred Parity Securities or PIK Securities) or for a 12 month period (in the case of Ordinary Shares). Further, the Tier 1 Notes may not be redeemed, substituted or varied unless and until all Deferred Interest Payments (if any) are satisfied in full through the operation of the AISM, on or prior to the date set for the relevant redemption, substitution or variation.

*Availability of shares and securities*

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

The Issuer may not exercise its right to redeem, substitute or vary the Tier 1 Notes, unless the Issuer has available, and the Directors have the corresponding authority to allot, such number of Eligible Securities as may be required to be issued for the purposes of satisfying in full any AISM Payments which are required to be satisfied in connection with such redemption, substitution or variation (all as more particularly described in “Terms and Conditions of the Tier 1 Notes — Deferral of Interest”). In addition, the Tier 1 Notes may not be redeemed, substituted or varied unless all Deferred Interest Payments (if any) are satisfied through the operation of the AISM on or prior to the date set for the relevant redemption, substitution or variation.

***Risks relating to the Undated Tier 2 Notes***

*The Issuer’s obligations under the Undated Tier 2 Notes are subordinated*

The Undated Tier 2 Notes will constitute direct and unsecured obligations of the Issuer and rank pari passu and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Undated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined in Condition 18 of “Terms and Conditions of the Undated Tier 2 Notes” (which shall include holders of the Dated Tier 2 Notes)) of the Issuer but shall rank at least pari passu with all other obligations of the Issuer which constitute Existing Undated Tier 2 Securities (as defined in Condition 18 of “Terms and Conditions of the Undated Tier 2 Notes”) if the Undated Tier 2 Notes are issued prior to Solvency II Implementation (as defined in Condition 18 of “Terms and Conditions of the Undated Tier 2 Notes”) or Tier 2



Capital (issued on or after Solvency II Implementation) if the Undated Tier 2 Notes are issued on or after Solvency II Implementation and shall rank in priority to the claims of holders of Existing Undated Tier 2 Securities if the Undated Tier 2 Notes are issued on or after Solvency II Implementation, Tier 1 Capital and all classes of share capital of the Issuer. Undated Tier 2 Notes issued before the implementation of Solvency II will rank junior to Tier 2 capital issued on or after the implementation of Solvency II.

Without prejudice to Condition 3(a) of “Terms and Conditions of the Undated Tier 2 Notes”, all payments under or arising from the Undated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Undated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent as contemplated by the “Terms and Conditions of the Undated Tier 2 Notes” immediately thereafter.

If at any time an order is made or an effective resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a) of “Terms and Conditions of the Undated Tier 2 Notes”) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend, there shall be payable on each Undated Tier 2 Note an amount equal to the principal amount of such Undated Tier 2 Note, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment. Any such repayment will be subordinated as described above.

Although the Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Undated Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

#### *Deferral of Interest Payments*

The Issuer may elect to defer any payment of interest on those Undated Tier 2 Notes which are Option A Notes which would otherwise be payable on an Interest Payment Date. The Issuer may, on any Discretionary Interest Payment Date, defer any payment of interest on those Undated Tier 2 Notes which are Option B Notes which would otherwise be payable on such date.

The Issuer is required to defer any payment of interest on Undated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) and when the Issuer is in breach of the Solvency Condition (as defined in Condition 3(b) of “Terms and Conditions of the Undated Tier 2 Notes”).

Any interest in respect of the Notes not paid on an Interest Payment Date, Discretionary Interest Payment Date or Mandatory Interest Deferral Date (as appropriate), together with any other interest in respect thereof not paid on any earlier Interest Payment Date, Discretionary Interest Payment Date or Mandatory Interest Deferral Date (as appropriate), may (subject to Condition 3(b)) be paid in whole or in part at any time and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or
- (ii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

#### *Perpetual Securities*

The Issuer is under no obligation to redeem the Undated Tier 2 Notes at any time and the holders of Undated Tier 2 Notes have no right to call for their redemption.

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*Redemption and Exchange Risk*

The Undated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Rating Methodology Event (if Rating Methodology Call is specified), the Undated Tier 2 Notes may be (i) substituted for, or their terms varied so that they become, in the case of (x) a Tax Event, Qualifying Upper Tier 2 Securities or (y) a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, or (y) a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest, all as more particularly described in “Terms and Conditions of the Undated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options”.

The Issuer currently expects the Undated Tier 2 Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitations on the amount of such capital) as either Tier 1 Capital or Tier 2 Capital. However, details of the implementation of Solvency II have not been finalised and are subject to change prior to the implementation of Solvency II. Accordingly, there is a risk that, after the issue of the Undated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer (i) to substitute the Undated Tier 2 Notes for, or vary their terms so that they become, Qualifying Upper Tier 2 Securities; or (ii) to redeem the Undated Tier 2 Notes early at the Capital Disqualification Redemption Price together with any Arrears of Interest, as more particularly described in “Terms and Conditions of the Undated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options”.

As discussed in the risk factor entitled “*The Group’s regulated business is subject to extensive regulatory supervision both in the UK and internationally*”, there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. The new framework will, among other things, cover the definition of “own funds” capital and, accordingly, will set out the features which any capital must have in order to qualify as regulatory capital. These features are not expected to be settled until, at the earliest, ‘level two’ implementation measures relating to Solvency II are finalised in 2012 or 2013 and there can be no assurance that, following their initial publication, the ‘level two’ implementation measures will not be amended. Moreover, there is considerable uncertainty as to how regulators, including the FSA, will interpret the ‘level two’ implementation measures and apply them to the Group. Accordingly, there is a risk that, after the issue of Undated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Undated Tier 2 Notes early at the Special Redemption Price, together with any accrued interest and Arrears of Interest which are Outstanding thereon.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Undated Tier 2 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.

*No limitation on issuing senior or pari passu securities*

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or pari passu with, the Undated Tier 2 Notes. The issue of any such securities may reduce the amount recoverable by holders of Undated Tier 2 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Undated Tier 2 Notes.

*Rate of Interest reset for the Reset Notes*

If specified in the relevant Final Terms, on the First Reset Note Reset Date, the Second Reset Note Reset Date and every Reset Note Reset Date thereafter, the rate of interest on the Undated Tier 2 Notes will be reset by reference to the then prevailing Mid-Market Swap Rate, as adjusted for any applicable margin, as more particularly described in “Terms and Conditions of the Undated Tier 2 Notes — 4. Interest and other Calculations”. The reset of the rate of interest in accordance with such provisions may affect the secondary market and the market value of such Undated Tier 2 Notes and, following any such reset of the rate of interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Undated Tier 2 Notes may be lower than the Initial Rate of

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Interest, the First Reset Rate of Interest and/or the previous Subsequent Reset Rate of Interest, thereby reducing the amount of interest payable to Noteholders.

***Risks relating to the Dated Tier 2 Notes***

*The Issuer's obligations under the Dated Tier 2 Notes are subordinated*

The Dated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under or arising from the Dated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors (as defined in Condition 18 of "Terms and Conditions of the Dated Tier 2 Notes") of the Issuer 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 (issued prior to Solvency II Implementation (as defined in Condition 18 of "Terms and Conditions of the Dated Tier 2 Notes")) or Tier 2 Capital (issued on or after 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 Undated Tier 2 Securities (as defined in Condition 18 of "Terms and Conditions of the Dated Tier 2 Notes") or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions by the FSA) and to the claims of holders of all classes of share capital of the Issuer.

Although the Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

*Deferral of Interest Payments*

The Issuer may on any Optional Interest Payment Date elect to defer paying interest on each Optional Interest Payment Date.

The Issuer is required to defer any payment of interest on Dated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) and when the Issuer is in breach of the Solvency Condition (as defined in Condition 3(b) of "Terms and Conditions of the Dated Tier 2 Notes").

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b)) be paid in whole or in part at any time and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest is made; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

*Redemption and Exchange Risk*

The Dated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Rating Methodology Event (if Rating Methodology Call is specified), the Dated Tier 2 Notes may be (i) substituted for, or their terms

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varied so that they become, in the case of (x) a Tax Event, Qualifying Lower Tier 2 Securities or (y) a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, or (y) a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest, all as more particularly described in “Terms and Conditions of the Dated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options”.

The Issuer currently expects the Dated Tier 2 Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitations on the amount of such capital) as Tier 2 Capital. However, details of the implementation of Solvency II have not been finalised and are subject to change prior to the implementation of Solvency II. Accordingly, there is a risk that, after the issue of the Dated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer (i) to substitute the Dated Tier 2 Notes for, or vary their terms so that they become, Qualifying Lower Tier 2 Securities; or (ii) to redeem the Dated Tier 2 Notes early at the Capital Disqualification Redemption Price together with any Arrears of Interest, as more particularly described in “Terms and Conditions of the Dated Tier 2 Notes — Redemption, Substitution, Variation, Purchase and Options”.

As discussed in the risk factor the Base Prospectus entitled “*The Group’s regulated business is subject to extensive regulatory supervision both in the UK and internationally*” which is incorporated by reference herein, there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. The new framework will, among other things, cover the definition of “own funds” capital and, accordingly, will set out the features which any capital must have in order to qualify as regulatory capital. These features are not expected to be settled until, at the earliest, ‘level two’ implementation measures relating to Solvency II are finalised in 2012 or 2013 and there can be no assurance that, following their initial publication, the ‘level two’ implementation measures will not be amended. Moreover, there is considerable uncertainty as to how regulators, including the FSA, will interpret the ‘level two’ implementation measures and apply them to the Group. Accordingly, there is a risk that, after the issue of the Dated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Dated Tier 2 Notes early at the Special Redemption Price, together with any accrued interest and Arrears of Interest which are Outstanding thereon.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Dated Tier 2 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.

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

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or pari passu with, the Dated Tier 2 Notes. The issue of any such securities may reduce the amount recoverable by holders of Dated Tier 2 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Dated Tier 2 Notes.

#### *Rate of Interest reset for the Reset Notes*

If specified in the relevant Final Terms, on the First Reset Note Reset Date, the Second Reset Note Reset Date and every Reset Note Reset Date thereafter, the rate of interest on the Dated Tier 2 Notes will be reset by reference to the then prevailing Mid-Market Swap Rate, as adjusted for any applicable margin, as more particularly described in “Terms and Conditions of the Dated Tier 2 Notes — 4. Interest and other Calculations”. The reset of the rate of interest in accordance with such provisions may affect the secondary market and the market value of such Dated Tier 2 Notes and, following any such reset of the rate of interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Dated Tier 2 Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or the previous Subsequent Reset Rate of Interest, thereby reducing the amount of interest payable to Noteholders.

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***Risks related to the structure of a particular Issue of Senior Notes***

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

***Fixed/Floating rate Senior Notes***

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

***Senior Notes issued at a substantial discount or premium***

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

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

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

***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***Credit ratings may not reflect all risks***

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

## TERMS AND CONDITIONS OF THE SENIOR NOTES

*The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms shall be applicable to the Senior Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Senior Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to the provisions endorsed on the face of the relevant Note or set out in the relevant Final Terms. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Senior Notes of one Series only (whether or not guaranteed by the Guarantor (as defined below)), not to all Notes that may be issued under the Programme.*

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes) (the "**Issue Date**"), (the "**Trust Deed**") dated 20 November 2012 between Aviva plc (the "**Issuer**"), Aviva Insurance Limited (the "**Guarantor**") and the Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 20 November 2012 (as amended or supplemented as at the Issue Date,) (the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

If Guarantee is specified hereon, the Notes will be unconditionally and irrevocably guaranteed by the Guarantor under the terms of the Trust Deed (the "**Guaranteed Notes**").

As used in these Conditions, "Tranche" means Notes which are identical in all respects.

### 1. Form, Denomination and Title

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

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis and Redemption Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

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

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

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon and in the Trust Deed.

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

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

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

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

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

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

Each new Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new

Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

*(d) Exchange Free of Charge*

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

*(e) Closed Periods*

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

### 3. Guarantee and Status

*(a) Guarantee*

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed in respect of the Guaranteed Notes, the Guaranteed Notes and the Coupons relating to the Guaranteed Notes. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed.

*(b) Status of Notes and Guarantee*

The Notes and the Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantor under the Guarantee (in respect of the Guaranteed Notes) shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

### 4. Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer shall not, and so long as any of the Guaranteed Notes remains outstanding (as defined in the Trust Deed) the Guarantor shall not, create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than any arising by operation of law) upon the whole or any part of its or their respective undertakings or assets (other than assets representing the fund or funds maintained by the Issuer or the Guarantor in respect of long-term business (as defined in the Financial Services and Markets Act 2000)) present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such security, securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or providing other security therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

“**Relevant Indebtedness**” means any indebtedness for moneys borrowed (as defined in Condition 10) (other than (i) indebtedness which has a stated maturity not exceeding one year or (ii) any indebtedness which comprises non-recourse borrowings (as defined below) and which, in either case, is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer or the Guarantor (if applicable), are quoted, listed, dealt in or traded on a stock exchange or over the counter or other recognised securities market.



“**non-recourse borrowings**” means any indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer, the Guarantor (if applicable) or any of their respective Subsidiaries for the repayment thereof other than:

- (i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or
- (ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure indebtedness for moneys borrowed, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys borrowed, to commence proceedings for the winding-up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or
- (iii) recourse to such borrower generally, or directly or indirectly to the Issuer or any of its Subsidiaries, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available.

“**Subsidiary**” means any entity which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006).

## 5. Interest and other Calculations

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 5(f).

### (b) *Interest on Floating Rate Notes*

- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “**Interest Payment Date**” shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified hereon is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such

date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

**(c) Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date specified hereon and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (as described in Condition 6(b)(i)). As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

**(d) Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

**(e) Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country[ies] of such currency.

**(f) Calculations**

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

**(g) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as may be provided for hereon), obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (A) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (B) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

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

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

**(i) Definitions**

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

“**Business Day**” means:

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

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

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

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

where:

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

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

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

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

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case 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 Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

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

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

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (A) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (B) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (C) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

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

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

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

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

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

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

**(j) Calculation Agent**

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

**6. Redemption, Purchase and Options**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

**(b) Early Redemption**

**(i) Zero Coupon Notes:**

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such



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Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

**(c) *Redemption for Taxation Reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption) if immediately prior to the giving of the notice referred to above, as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions which change or amendment becomes, or would become, effective or in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes, in making any payments on, or in connection with, the Notes, the Issuer (or, if the Guarantee were called in relation to the Guaranteed Notes, the Guarantor) has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on, or in connection with the Notes and the Issuer (or, if the Guarantee were called in relation to the Guaranteed Notes the Guarantor) cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer or, as appropriate, the Guarantor (in relation to the Guaranteed Notes) shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as appropriate, the Guarantor stating that the relevant requirement or circumstance referred to above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall redeem the Notes as aforesaid.

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

If a Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

**(e) Redemption at the Option of Noteholders**

If a Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(f) Purchases**

The Issuer, the Guarantor (in relation to the Guaranteed Notes) and any of their Subsidiaries may at any time purchase Notes (provided that all Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

As used in this Condition 6(f), "**Subsidiary**" means any entity which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006).

**(g) Cancellation**

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

**(h) Multiple Notices**

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

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

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

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## 7. Payments and Talons

### (a) *Bearer Notes*

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

### (b) *Registered Notes*

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

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

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

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

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or the Guarantor (in the case of any Guaranteed Notes) or their agents or in connection with any intergovernmental agreement with the United States (including any laws, directives, official guidance or regulations implementing such an agreement)) and neither the Issuer nor the Guarantor (in the case of any Guaranteed Notes) will be liable for any taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### (e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor (in respect of any Guaranteed Notes) and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor (in respect of any Guaranteed Notes) and do

not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor (in respect of any Guaranteed Notes) reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market and (vi) a Paying Agent with a specified office in a European Union member state (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive.

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

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

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

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

**(g) Talons**

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

**(h) Non-Business Days**

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

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

**8. Taxation**

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

**(a) Other connection**

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

**(b) Lawful avoidance of withholding**

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

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

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

**(d) Payment to individuals**

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

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

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

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed (“**Additional Amounts**”).

**9. Prescription**

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

**10. Events of Default**

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured to its satisfaction, (but, in the case of the happening of any of the events mentioned in paragraphs (ii), (iv), (v) and (vii) below, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer and the Guarantor (in relation to the Guaranteed Notes) that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

- (i) if default is made for a period of 14 days or more in the payment of any interest or principal due in respect of the Notes or any of them; or
- (ii) if default is made by the Issuer or the Guarantor (in relation to the Guaranteed Notes) in the performance or observance of any obligation, condition or provision binding upon either of them under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation or notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer and the Guarantor (in relation to the Guaranteed Notes) requiring the same to be remedied; or

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- (iii) if an order is made or an effective resolution is passed for the winding-up of, or an administration order is made in relation to, the Issuer or the Guarantor (in relation to the Guaranteed Notes) save, in the case of the Guarantor, with the prior consent of the Trustee or the prior sanction of an Extraordinary Resolution for the purposes of or in connection with an amalgamation, reorganisation or reconstruction or a voluntary solvent winding-up where surplus assets are available for distribution); or
  - (iv) if the Issuer or the Guarantor (in relation to the Guaranteed Notes) stops or threatens to stop payment to its creditors generally or the Issuer or the Guarantor (in relation to the Guaranteed Notes) ceases or threatens through an official action of its board of directors to cease to carry on its business or substantially the whole of its business (except (A), in the case of either the Issuer or Guarantor (in relation to the Guaranteed Notes), for the purposes of, or in connection with, a reconstruction, reorganisation or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution or (B), in the case of the Guarantor only (in relation to the Guaranteed Notes), (x) whereby the undertaking and assets of the Guarantor are transferred or otherwise vested in the Issuer or another of the Issuer's Subsidiaries or (y) in connection with a voluntary winding-up where surplus assets are available for distribution) and, in the case of the Guarantor (in relation to the Guaranteed Notes), such cessation is likely to have a material adverse effect on the ability of the Guarantor to perform its payment obligations under the Guarantee; or
  - (v) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the Issuer or the Guarantor (in the case of Guaranteed Notes) or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer or the Guarantor (in the case of Guaranteed Notes) and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or
  - (vi) if the Issuer or the Guarantor (in the case of Guaranteed Notes) is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; or
  - (vii) if any indebtedness for moneys borrowed (as defined below) other than any indebtedness which comprises non-recourse borrowings (as defined in Condition 4) of the Issuer or Guarantor (in the case of Guaranteed Notes) is not paid on its due date (as extended by any applicable grace period and following a demand therefor) or is declared to be, or automatically becomes, due and payable prior to its stated maturity by reason of an event of default, or if any guarantee or indemnity in respect of indebtedness for moneys borrowed of any third party given by the Issuer or the Guarantor (in the case of Guaranteed Notes) is not honoured when due and called upon provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one of the events mentioned above in this paragraph (vii) has occurred is at least the Specified Amount (or its equivalent in any other currency or currencies) and, in any such case, the liability of the Issuer or the Guarantor (in the case of Guaranteed Notes), as the case may be, to make payment is not being contested in good faith.

For the purposes of these Conditions:

“**Adjusted Capital and Reserves**” means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of the Issuer; and
- (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Issuer prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries of the Issuer. A certificate signed by two Directors or other Authorised Signatories (as defined in the

Trust Deed) of the Issuer as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties whether or not addressed to each such party;

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

“**indebtedness for moneys borrowed**” means the principal amount of:

- (i) all moneys borrowed; and
- (ii) all debentures (together in each case with any fixed or minimum premium payable on final redemption or repayment),

which are not for the time being beneficially owned by the Issuer or any of its Subsidiaries; and

“**Specified Amount**” means the greater of: (i) £25,000,000 (or its equivalent in any other currency or currencies); and (ii) such amount in sterling as is equal to 0.5 per cent. of Adjusted Capital and Reserves.

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

### (a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee (in the case of Guaranteed Notes) in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

### (b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.



(c) **Substitution**

If requested by the Issuer and the Guarantor (in the case of Guaranteed Notes), the Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer (or of any previous Substitute Issuer under this Condition) as the principal debtor under the Trust Deed of either (i) the Guarantor or (ii) any other subsidiary or any holding company (each as defined in Section 1159 of the Companies Act 2006) of the Issuer or (iii) a successor in business to the Issuer (each a “**Substitute Issuer**”) or (b) in place of the Guarantor, (or of any previous Substitute Guarantor under this Condition), as guarantor under the Trust Deed of either (i) a successor in business to the Guarantor or (ii) a subsidiary or holding company (each as defined in Section 1159 of the Companies Act 2006) of the Guarantor (each a “**Substitute Guarantor**” and a Substitute Issuer or a Substitute Guarantor being hereinafter called the “**Substitute Obligor**”) in each case provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and, in the case of a Substitute Issuer, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the relevant Substitute Obligor had been named in the Trust Deed and, in the case of a Substitute Issuer, on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer or, as appropriate, as guarantor in place of the Guarantor (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the Guarantor or the successor in business of the Issuer is the Substitute Issuer) in the case of Guaranteed Notes, the obligations of the Substitute Issuer under the Trust Deed, the Guaranteed Notes, the Coupons and the Talons are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 3 and in the Trust Deed;
- (iii) (unless the successor in business of the Guarantor is the Substitute Guarantor or the substitution of the Guarantor is otherwise effected in accordance with paragraphs (vii) to (ix) below) in the case of Guaranteed Notes, the obligations of the Substitute Guarantor under the Trust Deed are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 3 and in the Trust Deed;
- (iv) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall, save as provided in paragraph (ix) below, not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer or the Guarantor, as the case may be;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the “**Issuer’s Territory**”), or to which the Guarantor is subject generally (the “**Guarantor’s Territory**”) the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer’s Territory or the Guarantor’s Territory, as the case may be, of references to the Substituted Territory, whereupon the Trust Deed, the Notes or Guaranteed Notes (as applicable), the Coupons and the Talons, will be read accordingly;

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- (vii) (unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a Substitute Guarantor the ratings assigned to the Guaranteed Notes by each of the Rating Agencies following any substitution are expected to be no less than those assigned to the Guaranteed Notes immediately prior thereto;
  - (viii) (unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a substitution by a Substitute Guarantor, the Guaranteed Notes shall be rated by each of the Rating Agencies both immediately prior to, and following, such substitution; and
  - (ix) (unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a substitution by a holding company of the Guarantor as a Substitute Guarantor, the Trustee is satisfied that simultaneously with or prior to such substitution the obligations of the Guarantor (in the case of Guaranteed Notes) under or in respect of all other Relevant Indebtedness (if any) shall be similarly substituted by obligations of the Substitute Guarantor.

“**Rating Agencies**” means, in respect of any applicable Tranche of Senior Notes, those rating agencies from whom the Issuer and/or the Guarantor have solicited a rating at the relevant time for the purposes of paragraph (vii) or (viii), as applicable, provided that there shall be at least one such rating agency.

**(d) Entitlement of the Trustee**

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

**12. Enforcement**

At any time after the Notes become due and payable pursuant to Condition 10, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor (in the case of Guaranteed Notes) as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor (in the case of Guaranteed Notes) unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

**13. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

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

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

Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

**15. Further Issues**

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

**16. Notices**

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

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

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

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

**18. Governing Law**

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

## TERMS AND CONDITIONS OF THE DATED TIER 2 NOTES

*The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms shall be applicable to the Dated Tier 2 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificate(s) representing each Series of Dated Tier 2 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms, shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to the provisions endorsed on the face of the relevant Note or set out in Part A of the relevant Final Terms. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Dated Tier 2 Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by a trust deed dated 20 November 2012 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”)) (the “**Trust Deed**”) between Aviva plc (the “**Issuer**”), Aviva Insurance Limited and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 20 November 2012 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, Aviva Insurance Limited, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

### **1. Form, Denomination and Title**

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

This Note is a Fixed Rate Note, a Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis and Redemption Basis shown hereon.

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

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

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass upon registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as

ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

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

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

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

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

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

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

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

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

**(d) Transfer Free of Charge**

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

**(e) Closed Periods**

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

**3. Status**

**(a) General**

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 18) of the Issuer, 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 (issued prior to Solvency II Implementation) or Tier 2 Capital (issued on or after Solvency II Implementation) (“**Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (i) Existing Undated Tier 2 Securities; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital including, without limitation, by virtue of the operation of any grandfathering provisions by the FSA; and (iii) all classes of share capital of the Issuer (together, the “**Junior Securities**”).

**(b) Solvency Condition**

Without prejudice to Condition 3(a) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”). For the purposes of this Condition 3(b), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and *Pari Passu* Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are Junior Creditors). A certificate as to solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person. In a winding-up of the Issuer or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Notes and the Coupons relating to them shall be, an

amount equal to the principal amount of such Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and will be subordinated in the manner described in Condition 3(a) above.

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

**(c) Set-off, etc.**

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

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

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

**4. Interest and other Calculations**

**(a) Interest on Fixed Rate Notes**

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

**(b) Interest on Reset Notes**

Subject to Condition 3(b) and Condition 5, each Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Issue Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the Second Reset Note Reset Date or, if no such Second Reset Note Reset Date is specified hereon, the Maturity Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

**(c) Interest on Floating Rate Notes****(i) Interest Payment Dates**

Subject to Condition 3(b) and Condition 5, each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall be payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

**(ii) Business Day Convention**

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

**(iii) Rate of Interest for Floating Rate Notes**

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

**(A) ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

**(B) Screen Rate Determination for Floating Rate Notes**

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or



(2) the arithmetic mean of the offered quotations

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) If the Relevant Screen Page is not available, or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at, if the Reference Rate is LIBOR, approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the rate of interest shall be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual

Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

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

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

**(e) Calculations**

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

**(f) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amount, Optional Redemption Amount and Special Redemption Price**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price (as may be provided for hereon), obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price, to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a

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

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

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

**(h) Definitions**

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

“**Anniversary Date**” means the date specified hereon;

“**Business Day**” means:

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

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

- (i) if “**Actual/Actual**” or “**Actual/Actual — ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;

- (iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case 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 Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

(vii) if “**Actual/Actual-ICMA**” is specified hereon,

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

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

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

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

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

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

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**First Margin**” means the margin specified as such hereon.

“**First Reset Note Reset Date**” means the date specified hereon.

“**First Reset Period**” means the period from (and including) the First Reset Note Reset Date until (but excluding) the Second Reset Note Reset Date or, if no such Second Reset Note Reset Date is specified hereon, the Maturity Date.

“**First Reset Rate of Interest**” means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the First Margin.

“**Initial Rate of Interest**” means the initial rate of interest per annum specified hereon.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

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

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

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

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

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified hereon.

**“ISDAFIX Rate”** means “ISDAFIX1”, “ISDAFIX2”, “ISDAFIX3”, “ISDAFIX4”, “ISDAFIX5” or “ISDAFIX6” as may be specified hereon.

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

**“Mid-Market Swap Rate”** means the mid-market swap rate specified hereon.

**“Mid-Swap Rate”** means the Mid-Market Swap Rate for the Specified Currency calculated for a period equal to the relevant Reset Period at the Reuters Screen Page Rates at 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date.

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

**“Reference Banks”** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

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

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

**“Reset Determination Date”** means, in respect of the First Reset Period, the second Business Day prior to the First Reset Note Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Note Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period.

**“Reset Note Reset Date”** means the Second Reset Note Reset Date and every date which falls on each Anniversary Date as may be specified hereon.

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period.

**“Reuters Screen Page Rates”** means the relevant ISDAFIX Rate for the Specified Currency for transactions with a maturity equal to the relevant Reset Period which are displayed on the Reuters screen page (or such other page as may replace that page on Reuters, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates).

**“Second Margin”** means the margin specified as such hereon.

**“Second Reset Note Reset Date”** means the date specified hereon.

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

**“Subsequent Reset Period”** means the period from (and including) the Second Reset Note Reset Date to (but excluding) the next Reset Note Reset Date, and each successive period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the Second Margin.

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

**(i) Calculation Agent**

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

**5. Deferral of Payments**

**(a) Optional Deferral of Interest**

The Issuer may elect in respect of any Optional Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 5(d) below, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

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

**(b) Mandatory Deferral of Interest**

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 5(d).

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

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

**(c) Arrears of Interest**

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to Condition 5(b), together with any other interest in respect thereof not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Conditions 5(a) or (b), may (subject to Condition 3(b) and to any notifications to, or consent from, (in either case if and to the extent applicable) the FSA), be paid in whole or in part at any time upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the Trustee and the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(b) and any notifications to, or consent from, (in either case if and to the extent applicable) the FSA,) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 10(a).

**(d) Notice of Deferral**

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

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a) above; and
- (ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event.

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

**(a) Redemption**

- (i) Subject to Condition 3(b), Condition 6(a)(ii) below and to compliance by the Issuer with regulatory rules on notification to, or consent from (in either case, if and to the extent applicable), the FSA and provided that, in the case of redemption, such redemption is permitted under the Regulatory Capital Requirements applicable from time to time to the Issuer (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions), unless previously redeemed or purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer’s option each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest. If so specified hereon, the Issuer may give notice to the Trustee, the Issuing and Paying Agent



and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable) not less than 30 days prior to the Maturity Date of the Extended Maturity Date and thereafter all references herein to the Maturity Date shall be deemed to be to such Extended Maturity Date.

- (ii) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6(a)(i) or prior to the Maturity Date pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6(a)(i) applies, the Maturity Date or, if Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) applies, any date specified for redemption in accordance with such Conditions.
- (iii) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of Condition 6(a)(ii) above subject to Condition 3(b) (in the case of (A) and (B) only) and to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, such Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Conditions 6, (c), (d), (e) or (f) together with accrued interest and any Arrears of Interest, upon the earliest of:
  - (A) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased provided that redemption of the Notes on such date would not result in a Regulatory Deficiency Redemption Deferral Event occurring; or
  - (B) the date falling 10 Business Days after the FSA has agreed to the repayment or redemption of the Notes; or
  - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (iv) If Condition 6(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, such Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Conditions 6(c), (d), (e) or (f) together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(b) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, then the Notes shall not be redeemed on such date and Condition 3(b) and 6(a)(iii) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.
- (v) A certificate signed by two Directors confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be

treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

- (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes.

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

Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with regulatory rules on notification to, or consent from, (in each case, if and to the extent applicable), the FSA and be in continued compliance with the Regulatory Capital Requirements applicable to it from time to time. A certificate from any two Directors confirming such compliance shall be conclusive evidence of such compliance.

In the case of a redemption that is within five years of the Issue Date of the Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall be conclusive evidence of the matters stated herein and the Trustee shall rely on such certificate without liability to any person.

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

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

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Lower Tier 2 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes (each a “**Tax Law Change**”), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change in respect of the Issuer’s obligation to make any payment of Interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, then:

- (A) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise specified hereon) at any time (if and for so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and for so long as this Note is a Floating Rate Note) all, but not some only, of the Notes at their principal amount, together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest;
- (B) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Lower Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Lower Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Lower Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(c) the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in paragraph (i) or (ii) above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(e) or Condition 6(f) on or prior to the expiration of the notice referred to below, and if Call Option is specified hereon, the Issuer may at its option, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b), and having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

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

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

If Capital Disqualification Call is specified hereon and within the period from and including the date of the occurrence of a Capital Disqualification Event to and including the date which is the first anniversary of such occurrence (or such shorter period as may be set out hereon), the Issuer gives the notice referred to below and if on the date of such notice a Capital Disqualification Event is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Lower Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below and in the definition of Qualifying Lower Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Lower Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it, If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(f) *Optional redemption for Rating Reasons***

If a Rating Methodology Call is specified hereon, and if after a date (the "**Rating Methodology Event Commencement Date**") specified as such hereon a Rating Methodology Event occurs and within the period from and including the date of the occurrence of such Rating Methodology

Event to and including the date which is the later of (i) the first anniversary of such occurrence and (ii) the fifth anniversary of the Issue Date, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and provided it is on or after the fifth anniversary of the Issue Date and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of certificates of Directors of the Issuer referred to below and in the definition of Qualifying Lower Tier 2 Securities and Rating Agency Compliant Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it, If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(g) Purchases**

The Issuer and any of its Subsidiaries for the time being may, subject to the Issuer having complied with regulatory rules on notification to, or consent from, (in each case if and to the extent applicable), the FSA, at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(h) Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons

attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes and Coupons shall be discharged.

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

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

**7. *Payments and Talons***

**(a) *Bearer Notes***

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

**(b) *Registered Notes***

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

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

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

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

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents or in connection with any intergovernmental agreement with the United States (including any laws, directives, official guidance or regulations implementing such an agreement)) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by or

pursuant to such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

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

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a European Union member state (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive and (vi) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market.

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

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

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

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

- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) Talons**

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

**(h) Non-Business Days**

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

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

**8. Taxation**

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

**(a) Other connection**

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

**(b) Lawful avoidance of withholding**

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



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

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

**(d) Payment to individuals**

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

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

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

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

**9. Prescription**

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

**10. Events of Default and Enforcement****(a) Rights to institute winding up**

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3(b), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment may be deferred pursuant to Condition 5(a) and if so deferred will not be due and will be deferred and not be due if Condition 5(b) applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 6(a)(ii) applies.

If:

- (i) default is made for a period of seven days or more in the payment of any interest due in respect of the Notes or any of them ; or
- (ii) default is made for a period of seven days or more in payment of the principal due in respect of the Notes or any of them,

the Trustee may at its discretion institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent (if required) from, the FSA which the Issuer shall confirm in writing to the Trustee.

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

If an order is made by the competent court or resolution passed for the winding-up of the Issuer, (except, in any such case, a solvent winding-up, solely for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.

**(c) Enforcement**

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

**(d) Entitlement of the Trustee**

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

**(e) Right of Noteholders**

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

Condition 10. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

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

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

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

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Optional Redemption Amount or the Special Redemption Price, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (ix) to modify Condition 3, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 6(c) or 6(e) in connection with the substitution or variation of the Notes so that they become Qualifying Lower Tier 2 Securities or in the circumstances described in Condition 6(f) in connection with the substitution or variation of the Notes so that they become Rating Agency Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 6(c) or 6(e) or 6(f), as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

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

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

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

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

**(d) *Substitution***

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world (other than the United States) (the "Substitute Obligor") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "Substituted Territory") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "Issuer's Territory"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, will be read accordingly; and

- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

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

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

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

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

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

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

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

#### **15. Further Issues**

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

## 16. Notices

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

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

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

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

## 18. Definitions

As used herein:

“**Arrears of Interest**” has the meaning given to it in Condition 5;

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

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

- (i) the Notes are no longer capable of counting; or
- (ii) in the circumstances where such capability derives only from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, less than 100 per cent. of the principal amount of the Notes outstanding at such time are capable of counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis,

except where such non qualification is only as a result of any applicable limitation on the amount of such capital (other than the limitation set out in (ii) above);

“**Compulsory Interest Payment Date**” means any Interest Payment Date in respect of which during the immediately preceding 6 months a Compulsory Interest Payment Event has occurred and is not a Mandatory Interest Deferral Date and on which the Solvency Condition is satisfied;

“**Compulsory Interest Payment Event**” means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (ii) any repurchase by the Issuer of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer.

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

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

“**EEA Regulated Subsidiaries**” means the subsidiaries of the Issuer which are regulated within the EEA by a Relevant Supervisory Authority;

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

“**Existing Undated Tier 2 Securities**” means Upper Tier 2 Capital issued prior to the Solvency II Implementation;

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

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

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

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

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

“**Junior Securities**” has the meaning given to it in Condition 3(a);

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

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

“**Mandatory Interest Deferral Date**” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

“**Optional Interest Payment Date**” means any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date;

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

“**Pari Passu Securities**” has the meaning given to it in Condition 3(a);

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

- (i) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with the then current requirements of the FSA in relation to Lower Tier 2 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the Interest Payment Dates; (3) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory interest deferral provisions contained in these Conditions; (4) rank senior to, or pari passu with, the Notes; (5) provide for the same Maturity Date and 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 Lower Tier 2 Securities may not be redeemed by the Issuer prior to the first Optional Redemption Date specified hereon (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(c) or Condition 6(e) and subject to the same conditions as those set out in Condition 6(b)); (6) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through the write-down of the nominal amount of Qualifying Lower Tier 2 Securities or conversion of such Qualifying Lower Tier 2 Securities

into Ordinary Shares; and (7) preserve any existing rights under these Conditions to any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and

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

“**Rating Agency**” means Standard & Poor’s Rating Services or any successor;

“**Rating Agency Compliant Securities**” means securities issued directly or indirectly by the Issuer that are:

- (i) Qualifying Lower Tier 2 Securities; and
- (ii) assigned substantially the same equity content or at the absolute discretion of the Issuer a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Rating Methodology Event) that was assigned by the Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities;

“**Rating Methodology Event**” will be deemed to occur upon a change in methodology of the Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the equity content assigned by the Rating Agency to the Notes on or around the Issue Date;

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

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

“**Regulatory Deficiency Interest Deferral Event**” means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer payment of interest in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

“**Regulatory Deficiency Redemption Deferral Event**” means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

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

“**Relevant Supervisory Authority**” means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

“**Senior Creditors**” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital, constitute Tier 1 Capital, Existing Undated Tier 2 Securities or Lower Tier 2 Capital issued prior to the Solvency II Implementation or Tier 2 Capital issued on or after the Solvency II Implementation or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);



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

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

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

“**Solvency II Implementation**” means the implementation or application of Solvency II in the UK;

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

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

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

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

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

“**Tier 1 Capital**” has the meaning given to it by the FSA from time to time;

“**Tier 2 Capital**” has the meaning given to it by the FSA from time to time;

“**UK Listing Authority**” means the FSA in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000 (“FSMA”) or any successor authority or authorities appointed as the competent authority for the purposes of FSMA or otherwise;

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

“**Upper Tier 2 Capital**” has the meaning given to it by the FSA from time to time.

## **19. Governing Law**

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

## TERMS AND CONDITIONS OF THE UNDATED TIER 2 NOTES

*The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms shall be applicable to the Undated Tier 2 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificate(s) representing each Series of Undated Tier 2 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to the provisions specified hereon shall be to provisions endorsed on the face of the relevant Note or set out in Part A of the relevant Final Terms. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Undated Tier 2 Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by a trust deed dated 20 November 2012 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”)) (the “**Trust Deed**”) between Aviva plc (the “**Issuer**”), Aviva Insurance Limited and the Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 20 November 2012 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, Aviva Insurance Limited, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

### 1. Form, Denomination and Title

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

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

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

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

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass upon registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as

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ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

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

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

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

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

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

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

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

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

**(d) Transfer Free of Charge**

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

**(e) Closed Periods**

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

**3. Status**

**(a) General**

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 18) of the Issuer, 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, Existing Undated Tier 2 Securities if the Notes are issued prior to Solvency II Implementation or Tier 2 Capital (issued on or after Solvency II Implementation) if the Notes are issued on or after Solvency II Implementation (“**Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (i) Existing Undated Tier 2 Securities if the Notes are issued on or after Solvency II Implementation; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital including, without limitation, by virtue of the operation of any grandfathering provisions by the FSA; and (iii) all classes of share capital of the Issuer (together, the “**Junior Securities**”).

**(b) Solvency Condition**

Without prejudice to Condition 3(a) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”). For the purposes of this Condition 3(b), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and *Pari Passu* Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are Junior Creditors). A certificate as to solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person. In a winding-up of the Issuer or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Notes and the Coupons relating to them shall be an

amount equal to the principal amount of such Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but, excluding, the date of repayment and will be subordinated in the manner described in Condition 3(a) above.

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

**(c) *Set-off, etc.***

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

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

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

**4. Interest and other Calculations**

**(a) *Interest on Fixed Rate Notes***

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

**(b) *Interest on Reset Notes***

Subject to Condition 3(b) and Condition 5, each Reset Note bears interest on its outstanding principal amount:

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

payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

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(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Subject to Condition 3(b) and Condition 5, each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall be payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

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

(iii) *Rate of Interest for Floating Rate Notes*

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

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

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

**(e) Calculations**

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

**(f) Determination and Publication of Rates of Interest, Interest Amounts, Redemption Amount, Optional Redemption Amount and Special Redemption Prices**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Optional Redemption Amount or Special Redemption Price (as may be provided for hereon), obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest



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

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

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

**(h) Definitions**

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

“**Anniversary Date**” means the date specified hereon;

“**Business Day**” means:

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

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

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **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 Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

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

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

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**First Margin**” means the margin specified as such hereon.

“**First Reset Note Reset Date**” means the date specified hereon.

“**First Reset Period**” means the period from (and including) the First Reset Note Reset Date until (but excluding) the second Reset Note Reset Date.

“**First Reset Rate of Interest**” means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the First Margin.

“**Initial Rate of Interest**” means the initial rate of interest per annum specified hereon.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

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

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

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

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

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDAFIX Rate**” means “ISDAFIX1”, “ISDAFIX2”, “ISDAFIX3”, “ISDAFIX4”, “ISDAFIX5” or “ISDAFIX6” as may be specified hereon.

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

“**Mid-Market Swap Rate**” means the mid-market swap rate specified hereon.

“**Mid-Swap Rate**” means the Mid-Market Swap Rate for the Specified Currency calculated for a period equal to the relevant Reset Period at the Reuters Screen Page Rates at 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

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

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

“**Reset Determination Date**” means, in respect of the First Reset Period, the second Business Day prior to the First Reset Note Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Note Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period.

“**Reset Note Reset Date**” means the Second Reset Note Reset Date and every date which falls on each Anniversary Date as may be specified hereon.

“**Reset Period**” means the first Reset Period or a Subsequent Reset Period.

“**Reuters Screen Page Rates**” means the relevant ISDAFIX Rate for the Specified Currency for transactions with a maturity equal to the relevant Reset Period which are displayed on the Reuters screen page (or such other page as may replace that page on Reuters, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates).

“**Second Margin**” means the margin specified as such hereon.

“**Second Reset Note Reset Date**” means the date specified hereon.

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

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Note Reset Date to (but excluding) the next Reset Note Reset Date, and each successive period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the Second Margin.

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

**(i) Calculation Agent**

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

**5. Deferral of Payments**

**(a) Optional Deferral of Interest — Option A Notes**

*The Issuer has no obligation to pay any Interest Payment so long as it exercises its right to defer any Interest Payment in accordance with Condition 5(a). This is as a result of the Issuer having the right to defer any Interest Payment otherwise scheduled to be paid on an Interest Payment Date pursuant to Condition 5(a).*

The Issuer may elect on the Option A Notes (being those Notes that specify their status as Option A Notes hereon) in respect of any Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 5 (e) below, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

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

**(b) *Optional Deferral of Interest — Option B Notes***

*For so long as (a) the Notes are capable of counting (save, in circumstances where such Notes would not be capable of counting, where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum capital resources requirement applicable to the Issuer under the Directive or the Relevant Rules (as defined in Condition 18) or (b) a Capital Breach Event has occurred and is continuing or is likely to occur as a result of making payment, the Issuer has no obligation to pay any Interest Payment so long as it exercises its right to defer any Interest Payment in accordance with Condition 5(b). This is the result of the Issuer having the right to defer any Interest Payment otherwise scheduled to be paid on any Discretionary Interest Payment Date pursuant to Condition 5(b).*

The Issuer may elect on the Option B Notes (being those Notes that specify their status as Option B Notes hereon) in respect of any Discretionary Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 5(e) below, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make payment on that date.

The Issuer shall (subject to Condition 3(b) and Condition 5 (c)) be obliged to pay interest accrued in an Interest Period which ends on an Interest Payment Date which is not a Discretionary Interest Payment Date.

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

**(c) *Mandatory Deferral of Interest***

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 5(e).

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

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

**(d) *Arrears of Interest***

**(i) *Dividend Stopper and Related Provisions***

If, on any Interest Payment Date, interest in respect of the Option A Notes or, on any Discretionary Interest Payment Date, interest in respect of the Option B Notes, or on any Mandatory Interest Deferral Date, interest in respect of any Notes shall not have been paid as a result of the exercise by the Issuer of its discretion pursuant to Conditions 5(a) or 5(b) or the obligation on the Issuer to defer pursuant to Condition 5(c), as appropriate, then from the date of such Interest Payment Date or Discretionary Interest Payment Date or Mandatory Interest Deferral Date, as appropriate, until such time as the full amount of the relevant Arrears of Interest (as defined below) has been received by the Noteholders or

the Trustee and no other payment of Arrears of Interest remains unsatisfied, the Issuer shall not (i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or other payment is made on any Junior Securities or any Pari Passu Securities, save where the Issuer is not able to defer, pass or eliminate or continue to defer, pass or eliminate a dividend or other distribution or any other payment in accordance with the terms and conditions of those Junior Securities or Pari Passu Securities or save for any payment in relation to the Priority Preference Shares or (ii) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or any Pari Passu Securities (other than ordinary shares of the Issuer issued pursuant to any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer). This paragraph shall apply if “Dividend Stopper” is elected hereon.

(ii) *Areas of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date or Discretionary Interest Payment Date or Mandatory Interest Deferral Date, (as appropriate), together with any other interest in respect thereof not paid on an earlier Interest Payment Date or Discretionary Interest Payment Date or Mandatory Interest Deferral Date, (as appropriate), in each case by virtue of Conditions 5(a), 5(b) or 5(c), as appropriate, shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest shall not themselves bear interest. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Conditions 5(a), 5(b) or 5(c), as appropriate, may (subject to Condition 3(b) in the case of (B) below only) be paid in whole or in part at any time upon the expiry of not less than 14 days’ notice to such effect given to the Trustee and to the Noteholders in accordance with Condition 16 and in any event will automatically become immediately due and payable (without the requirement of any prior written notice to, or absence of objection from, the FSA) in whole upon the earliest of the following dates:

- (A) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (B) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 10(a).

Arrears of Interest shall not themselves bear interest.

(e) *Notice of Deferral*

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

- (i) if, in respect of Option A Notes only, it has elected to defer any payment of interest on the Option A Notes on that Interest Payment Date as provided in Condition 5 (a) above;
- (ii) if, in respect of Option B Notes only, such Interest Payment Date is a Discretionary Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5 (b) above;
- (iii) if, in respect of any Notes, that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event.

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**6. Redemption, Substitution, Variation, Purchase and Options****(a) Redemption**

The Notes have no final maturity date and are only redeemable or repayable in accordance with the following provisions of this Condition 6 and Condition 10.

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

- (i) Any redemption, substitution, variation or purchase of the Notes is (A) subject to the Issuer having complied with regulatory rules on notification to, or consent from, (in each case if and to the extent applicable), the FSA and subject to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the Regulatory Capital Requirements applicable to it from time to time (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions), (B) conditional on all Arrears of Interest and interest accrued (if any) being satisfied in full on or prior to the date thereof (save that this Condition 6(b) shall not apply to any Notes which are substituted with Qualifying Upper Tier 2 Securities or Rating Agency Compliant Securities (as applicable) and (C) in the case of redemption only, subject to Condition 3(b); and (D) in the case of redemption only, subject to a Regulatory Deficiency Redemption Deferral Event not having occurred and is continuing or would not occur as a result of any such redemption.
- (ii) If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Conditions 6(c), 6(d), 6(e) or 6(f) (as applicable) as a result of Condition 6(b)(i)(D) above, subject to Condition 3(b) (in the case of (A) and (B) only) and to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, such Notes shall be redeemed at the relevant price specified in Conditions 6(c), (d), (e) or (f), as appropriate, together with accrued interest and any Arrears of Interest upon the earliest of:
  - (A) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased provided that redemption of the Notes on such date would not result in a Regulatory Deficiency Redemption Deferral Event occurring; or
  - (B) the date falling 10 Business Days after the FSA has agreed to the repayment or redemption of the Notes; or
  - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (iii) If Condition 6(b)(i)(D) does not apply, but redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Conditions 6(c), 6(d), 6(e) or 6(f) (as applicable) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, such Notes shall be redeemed at the relevant price specified in Conditions 6(c), 6(d), 6(e) or 6(f) (as applicable) together with accrued interest on the 10<sup>th</sup> Business Day immediately following the day that (i) the Issuer is solvent for the purposes of Condition 3(b) and (ii) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed then the Notes shall not be redeemed and Condition 6(b)(ii) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.



- (iv) A certificate signed by two Directors confirming that (a) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (b) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.
- (v) In the case of a redemption that is within five years of the Issue Date of the Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall be conclusive evidence of the matters stated herein and the Trustee shall rely on such certificate without liability to any person.
- (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes.

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

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

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Upper Tier 2 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes (each a “**Tax Law Change**”), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change in respect of the Issuer’s obligation to make any payment of Interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, then:
  - (A) the Issuer may, subject to Condition 3(b), Condition 6(b)(i) and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise specified hereon) at any time (if and for so long as this Note is not a Floating Rate Note) or

on any Interest Payment Date (if and for so long as this Note is a Floating Rate Note) all, but not some only, of the Notes at their principal amount, together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest;

- (B) the Issuer may, subject to Condition 6(b)(i)(A) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Upper Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(c) the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in paragraph (i) or (ii) above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(e) or Condition 6(f) on or prior to the expiration of the notice referred to below, and if Call Option is specified hereon, the Issuer may at its option, subject to Condition 3(b), Condition 6(b)(i), and having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be specified hereon) together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

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

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

If Capital Disqualification Call is specified hereon and within the period from and including the date of the occurrence of a Capital Disqualification Event to and including the date which is the first anniversary of such occurrence (or such shorter period as may be set out hereon), the Issuer gives the notice referred to below and if on the date of such notice a Capital Disqualification Event is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6(b)(i) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(b)(i)(A) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below and in the definitions of Qualifying Upper Tier 2 Securities agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it, If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(f) Optional redemption for Rating Reasons**

If a Rating Methodology Call is specified hereon, and if after a date (the "**Rating Methodology Event Commencement Date**") specified as such hereon a Rating Methodology Event occurs and within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the later of (i) the first anniversary of such occurrence and (ii) the fifth anniversary of the Issue Date, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6 (b)(i) and on or after the fifth anniversary of the Issue Date and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(b)(i)(A) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of certificates of Directors of the Issuer referred to below and in the definition of Qualifying Upper Tier 2 Securities and Rating Agency Compliant Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(g) Purchases**

The Issuer and any of its Subsidiaries for the time being may, subject to the Issuer having complied with regulatory rules on notification to, or consent from, (in each case if and to the extent applicable), the FSA, having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given), at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(h) Cancellation**

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

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

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

**7. Payments and Talons**

**(a) Bearer Notes**

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

**(b) Registered Notes**

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

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

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

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

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

**(e) Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a European Union member state (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive and (vi) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market.

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

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

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

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

**(g) Talons**

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

**(h) Non-Business Days**

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

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

**8. Taxation**

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

**(a) Other connection**

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

**(b) Lawful avoidance of withholding**

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

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

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

**(d) Payment to individuals**

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

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

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

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

## 9. Prescription

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

## 10. Events of Default and Enforcement

### (a) *Rights to institute winding-up*

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

If:

- (i) default is made for a period of seven days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) default is made for a period of seven days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may at its discretion institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to Condition 10 (a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after any administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent (if required) from, the FSA which the Issuer shall confirm in writing to the Trustee.

### (b) *Amount payable on winding-up*

If an order is made by the competent court or resolution passed for the winding-up of the Issuer, (except, in any such case, a solvent winding-up, solely for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer gives notice that it intends to declare and distribute a



dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10 (d)), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.

**(c) Enforcement**

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

**(d) Entitlement of the Trustee**

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

**(e) Right of Noteholders**

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

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

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

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

**(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in

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

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

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

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

**(c) Notice to FSA**

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

**(d) Substitution**

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world

(other than the United States) (the “Substitute Obligor”) in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “Substituted Territory”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the “Issuer’s Territory”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer’s Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

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

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

In connection with the exercise of its functions (including but not limited to those referred to in Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall

not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

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

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

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

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

### **15. Further Issues**

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

### **16. Notices**

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

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

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

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

## 18. Definitions

As used herein:

“**Arrears of Interest**” has the meaning given to it in Condition 5;

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

“**Capital Breach Event**” means the occurrence of a breach by the Issuer or the Group or any member of the Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the Issuer or the Group or any member of the Group, as the case may be);

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

- (i) the Notes are no longer capable of counting; or
- (ii) in the circumstances where such capability derives only from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, less than 100 per cent. of the principal amount of the Notes outstanding at such time are capable of counting as either Tier 1 Capital or Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis,

except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than the limitation set out in (ii) above);

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

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

“**Discretionary Interest Payment Date**” means, in the case of Option B Notes, every Interest Payment Date with respect to which (1) a Capital Disqualification Event has not occurred and is not continuing; or (2) a Capital Breach Event has occurred prior to such Interest Payment Date and is continuing, or is reasonably likely to occur as a result of making the payments due, on such Interest Payment Date;

“**EEA Regulated Subsidiaries**” means the subsidiaries of the Issuer which are regulated within the EEA by a Relevant Supervisory Authority;

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

“**Existing Undated Tier 2 Securities**” means Upper Tier 2 Capital issued prior to the Solvency II Implementation;

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

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

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

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

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

“**Junior Securities**” has the meaning given to it in Condition 3(a);

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

“**Lower Tier 2 Capital**” has the meaning given to it by the FSA from time to time;

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

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

“**Pari Passu Securities**” has the meaning given to it in Condition 3(a);

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

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

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

“**Rating Agency**” means Standard & Poor’s Rating Services or any successor;

“**Rating Agency Compliant Securities**” means securities issued directly or indirectly by the Issuer that are:

- (i) Qualifying Upper Tier 2 Securities; and
- (ii) assigned substantially the same equity content or, at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Rating Methodology Event) that was assigned

by the Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities;

“**Rating Methodology Event**” will be deemed to occur upon a change in methodology of the Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the equity content assigned by the Rating Agency to the Notes on or around the Issue Date;

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

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

“**Regulatory Deficiency Interest Deferral Event**” means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer payment of interest in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

“**Regulatory Deficiency Redemption Deferral Event**” means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

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

“**Relevant Supervisory Authority**” means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

“**Senior Creditors**” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or Existing Undated Tier 2 Securities or, in relation to the Notes issued on or after Solvency II implementation, Tier 2 Capital (issued on or after the Solvency II Implementation) or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

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

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

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

“**Solvency II Implementation**” means the implementation or application of Solvency II in the UK;

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

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

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

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

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

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

“**UK Listing Authority**” means the FSA in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000 (“FSMA”) or any successor authority or authorities appointed as the competent authority for the purposes of FSMA or otherwise;

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

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

#### **19. Governing Law**

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



## TERMS AND CONDITIONS OF THE TIER 1 NOTES

*The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms shall be applicable to the Tier 1 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificate(s) representing each Series of Tier 1 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to provisions endorsed on the face of the relevant Note or set out in Part A of the relevant Final Terms. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Tier 1 Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 20 November 2012 between Aviva plc (the "**Issuer**"), Aviva Insurance Limited and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 20 November 2012 (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, Aviva Insurance Limited, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named therein. The issuing and paying agent, the paying agents, the registrar, the transfer agents, the calculation agent(s) and the AISM calculation agent for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar), the "**Calculation Agent(s)**" and the "**AISM Calculation Agent**". An AISM calculation agency agreement dated on or before the Issue Date has been entered into between the Issuer, the Trustee and the AISM Calculation Agent (the "**AISM Calculation Agency Agreement**"). Copies of the Trust Deed, the Agency Agreement and any AISM Calculation Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

### 1. Form, Denomination and Title

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

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

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

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

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

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

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

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

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

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

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

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

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

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“business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(d) *Transfer Free of Charge***

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

**(e) *Closed Periods***

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

**3. Status**

**(a) *Status***

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

**(b) *Subordination***

**(i) Condition to Payment**

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

In these Conditions, the Issuer shall be considered to be solvent if (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A certificate as to the solvency of the Issuer by two Directors (or, if there is a winding up or administration of the Issuer, the liquidator or, as the case may be, administrator of the Issuer) shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof.

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

**(ii) Solvency Claims**

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

## (iii) Set-off

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

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

(c) **Winding-up**

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, on the day prior to the commencement of the winding-up or, as appropriate notice and thereafter, such holder were the holder of shares in the capital of the Issuer as follows:

- (i) for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) otherwise payable in respect of any Interest Payment, Deferred Interest Payment (which includes any Deferred Interest Payment which has not been settled in accordance with the AISM as a result of the Ordinary Shares Threshold, PIK Securities Threshold or Preferred Parity Securities Threshold, insufficiency or otherwise) or other amount payable in respect of, or arising from, each Note (including any damages awarded for breach of any obligations) in respect of which the conditions specified in Condition 3(b)(i) are not satisfied on the date on which the same would otherwise be due and payable or which otherwise have not been satisfied, apart from principal: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) each in the capital of the Issuer ranking equally with the Notional Preference Shares;
- (ii) subject to (iii) below, for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) otherwise payable in respect of the principal amount of each Note: such number of Ordinary Shares of the Issuer then in issue whose nominal value aggregates to £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) ranking equally with the issued Ordinary Shares; and
- (iii) if and to the extent that the principal amount of each Note exceeds the amount of Deferred Interest Payments attributable to such Note (the “excess amount”), for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency

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Unit specified hereon) of excess amount otherwise payable in respect of, or arising from, such Note: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) each in the capital of the Issuer ranking equally with the Notional Preference Shares.

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

#### **4. Interest and other Calculations**

##### **(a) Interest on Fixed Rate Notes**

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

##### **(b) Interest on Floating Rate Notes**

###### *(i) Interest Payment Dates*

Subject to Conditions 3(b)(i), 3(b)(ii) and 5, each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(d). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

###### *(ii) Business Day Convention*

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

###### *(iii) Rate of Interest for Floating Rate Notes*

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

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(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

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

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

**(d) Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such

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Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provision above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated. Where the Specified Denomination comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination specified hereon.

**(e) *Determination and Publication of Rates of Interest, Interest Amounts, and Redemption Amounts***

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

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

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

**(g) *Definitions***

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

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or



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

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

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

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

where:

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

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

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

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

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February or (B) 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 Calculation Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

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

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

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

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

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

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (A) the first day of such Interest Accrual Period if the Specified Currency is sterling or (B) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (C) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

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

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

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

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

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

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

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

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

**(h) Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Optional Redemption Amount, Capital Disqualification Redemption Price or Suspension Redemption Price, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index

options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**(i) *Payments of Interest***

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

**5. Deferral of Payments**

**(a) *Optional Deferral — Option A Notes***

*The Issuer has no obligation to pay any Interest Payment so long as it exercises its right to defer any Interest Payment in accordance with Condition 5(a). This is the result of:*

- (i) the Issuer having the right to defer any Interest Payment otherwise scheduled to be paid on an Interest Payment Date pursuant to this Condition 5(a); and*
- (ii) the Issuer being obliged to satisfy any Deferred Interest Payment only by the operation of the Alternative Interest Satisfaction Mechanism pursuant to Condition 5(c).*

The Issuer may elect to defer any Interest Payment on Option A Notes (being those Notes that specify their status as Option A Notes) which are otherwise scheduled to be paid on an Interest Payment Date by giving notice of such election to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the Calculation Agent not less than 20 Business Days prior to the relevant Interest Payment Date.

The Issuer shall (except where Condition 3(c) applies) satisfy any such Deferred Interest Payment or any Deferred Interest Payment which arises as a result of the failure to satisfy the condition to payment set out in Condition 3(b)(i) only by operation of the procedures set out in Condition 5(c). Subject to Condition 5(c)(viii) the Issuer (x) may satisfy such Deferred Interest Payments at any time by giving not less than 14 days' notice but (y) shall satisfy such Deferred Interest Payment upon the first of the following to occur: (i) redemption of the Notes in accordance with Condition 6(d); (ii) redemption, substitution or variation of the Notes in accordance with Condition 6(c); (iii) redemption, substitution or variation of the Notes in accordance with Condition 6(e) (the date on which any such redemption, substitution or variation referred to in (i) to (iii) above occurs being the "Termination Date"); or (iv) substitution of the Notes by Substituted Preference Shares pursuant to Condition 6(i).

If on any Interest Payment Date payment of all Interest Payments scheduled to be paid on such date is not made in full, the Issuer shall not, (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or other payment is made on, any Junior Securities or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or any Parity Securities, in each case unless or until (i) the Interest Payments due and payable on all Interest Payment Dates falling in any 12 month calendar period after such Interest Payment Date on all outstanding Notes have been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders and in a manner satisfactory to the Trustee) or, if earlier, (ii) when the Issuer has satisfied in full all Deferred Interest Payments.

**(b) *Optional Deferral — Option B Notes***

*For so long as (a) the Notes are capable of counting (save, in circumstances where such Notes would not be capable of counting, where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum capital resources requirement applicable to the Issuer under the Directive or the Relevant Rules (as defined in Condition 18) or (b) a Capital Breach Event has occurred and is continuing or is likely to occur as a result of making payment and the Issuer has notified the FSA thereof the Issuer has no obligation to pay any Interest Payment so long as it exercises its right to defer any Interest Payment in accordance with Condition 5(b). This is the result of:*

- (i) *the Issuer having the right to defer any Interest Payment otherwise scheduled to be paid on any Discretionary Interest Payment Date pursuant to this Condition 5(b); and*
- (ii) *the Issuer being obliged to satisfy any Deferred Interest Payment only by the operation of the Alternative Interest Satisfaction Mechanism pursuant to Condition 5(c).*

The Issuer may, on any Discretionary Interest Payment Date (as defined below), elect to defer any Interest Payment on Option B Notes (being those Notes that specify their status as Option B Notes) which would otherwise be payable on such date by giving notice of such election to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the Calculation Agent not more than 30 nor less than 20 Business Days prior to the relevant Interest Payment Date. The Issuer will (subject to Condition 3(b)(i)) be obliged to pay Interest Payments accrued in an Interest Period on each Interest Payment Date which is not a Discretionary Interest Payment Date.

The Issuer shall (except where Condition 3(c) applies) satisfy any such Deferred Interest Payment or any Deferred Interest Payment which arises as a result of the failure to satisfy the conditions to payment set out in Condition 3(b)(i) only by operation of the procedures set out in Condition 5(c). Subject to Condition 5(c)(viii) the Issuer (x) may satisfy such Deferred Interest Payment at any time by giving not less than 14 days' notice and (y) shall satisfy such Deferred Interest Payment upon the first of the following to occur: (i) redemption of the Notes in accordance with Condition 6(d); (ii) redemption, substitution or variation of the Notes in accordance with Condition 6(c); (iii) redemption, substitution or variation of the Notes in accordance with Condition 6(e) (the date on which any such redemption, substitution or variation referred to in (i) to (iii) above occurs being the “**Termination Date**”); or (iv) substitution of the Notes by Substituted Preference Shares pursuant to Condition 6(i).

If on any Discretionary Interest Payment Date payment of all Interest Payments scheduled to be paid on such date is not made in full, the Issuer shall not, (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any Junior Securities, or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or any Parity Securities, in each case unless or until (i) the Interest Payments due and payable on all Interest Payment

Dates falling in any 12 month calendar period after such Discretionary Interest Payment Date on all outstanding Notes have been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders and in a manner satisfactory to the Trustee) or, if earlier, (ii) the date upon which the Issuer has satisfied in full all Deferred Interest Payments.

**(c) *Alternative Interest Satisfaction Mechanism***

*(i) Alternative Interest Satisfaction Mechanism*

Each AISM Payment, when due to be satisfied in accordance with these Conditions, will (except as provided in Condition 5(c)(viii)) be satisfied by the Issuer in full only through the issue of Eligible Securities of one or more classes to the Trustee or its agent and/or, in the case of Eligible Securities in the form of PIK Securities, by the issue of PIK Securities to Noteholders with a Market Value at least equal to the relevant AISM Payment, in each case in accordance with this Condition 5(c). The Issuer shall notify the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent not less than 16 Business Days prior to the relevant AISM Payment Date that an AISM Payment is to be satisfied on such AISM Payment Date and whether any PIK Securities are intended to be issued directly to Noteholders. All other Payments due must, subject to Conditions 3 and 5(a) and (b), be satisfied in accordance with Condition 7.

Any relevant Deferred Interest Payment will only be made by operation of the AISM to the extent that the number of such Payment Eligible Securities (as defined below) of each class does not exceed, in the case of Ordinary Shares, the Ordinary Shares Threshold, in the case of PIK Securities, the PIK Securities Threshold and, in the case of Preferred

Parity Securities, the Preferred Parity Securities Threshold and in each case only to the extent that the proceeds raised from the issuance or sale of Payment Eligible Securities is received no more than six months before the relevant AISM Payment Date.

(ii) *Issue of PIK Securities*

If any AISM Payment is to be made through the issue of PIK Securities to Noteholders as required by the provisions of this Condition 5(c) then, in lieu of a payment in cash and subject to Conditions 5(c)(v) and (vi), the Issuer may (subject to the PIK Securities Threshold not being breached) issue PIK Securities in a number and with terms as determined by the AISM Calculation Agent in accordance with this Condition 5(c)(ii). The AISM Calculation Agent shall allocate to each Noteholder that number of PIK Securities which is necessary to cover that Noteholder's claim in respect of the relevant AISM Payment to be satisfied as aforesaid. The record date for the determination of the number of PIK Securities to be allocated to each Noteholder shall be the relevant AISM Payment Date. For this purpose, the value of each PIK Security is to be determined by its Market Value. If the allocation of PIK Securities to a Noteholder leads to any relevant AISM Payment on the AISM Payment Date being left uncovered, then the Noteholder will be entitled to receipt of further PIK Securities with a Market Value equal to such uncovered payment. The Noteholder may collect its PIK Security allocation by presentation and annotation of its Note at the office of the Issuing and Paying Agent.

The "**Market Value**" of the PIK Securities shall be determined by the AISM Calculation Agent as follows:

- (A) it shall (four Business Days prior to the record date) request three international investment banks of repute which are active in the international fixed income markets to provide (by the second Business Day prior to the record date) a bid price for a representative amount of PIK Securities;
- (B) if two or three bid prices are received, it shall calculate the arithmetic mean of the bid prices, which shall be the Market Value for the PIK Securities;
- (C) if one bid price is received, that bid price shall be the Market Value for the PIK Securities; and
- (D) if no bid prices are received, the market price for the PIK Securities shall be the price determined by the AISM Calculation Agent in its discretion acting reasonably.

(iii) *Issue of Eligible Securities*

If any AISM Payment is to be satisfied through the issue of Eligible Securities to the Trustee as required by the provisions of this Condition 5(c) then, subject to Conditions 5(c)(v) and (vi):

- (A) by close of business on or before the seventh Business Day prior to the relevant AISM Payment Date, the Issuer will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Eligible Securities (the "Payment Eligible Securities") as, in the determination of the AISM Calculation Agent, will have a market value as near as practicable to, but not less than, the relevant AISM Payment to be satisfied in accordance with this Condition 5(c); and
- (B) the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Eligible Securities to or to the order of the AISM Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the sixth Business Day prior to the relevant AISM Payment Date and the AISM Calculation Agent has agreed in the AISM Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Eligible Securities. The AISM Calculation Agent has further agreed in the AISM Calculation Agency Agreement to deliver such proceeds of such sale to, or hold such proceeds of such sale to the order

of, the Trustee, who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant AISM Payment on its due date to the Issuing and Paying Agent for application in accordance with Condition 5(c)(iv).

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Eligible Securities, in each case by or on behalf of the Trustee, or any delay or failure in effecting such transfer or sale of the Payment Eligible Securities under these Conditions.

If the proceeds of the sale of the Payment Eligible Securities will not, in the opinion of the AISM Calculation Agent, subject to Conditions 5(c)(v) and (vi) but despite the arrangements contained in (B) above, result in a sum at least equal to the relevant AISM Payment being available to make the necessary AISM Payment in full on its due date, the Issuer, the Trustee and the AISM Calculation Agent have agreed to take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Eligible Securities (also “**Payment Eligible Securities**”) and following, mutatis mutandis, the procedures contained in (A) and (B) above, a sum as near as practicable to, and at least equal to, the relevant AISM Payment will be available to make the relevant AISM Payment in full on its due date. If, despite the operation of the above provisions, a shortfall exists on the Business Day preceding the intended AISM Payment Date, the Issuer shall, for a period of five years from such date, use all reasonable endeavours to settle any AISM Payment in accordance with this Condition 5 and may in accordance with the provisions of any Calculation Agency Agreement, and subject to having the relevant corporate authorisations in place, continue to issue and allot the relevant number of Payment Eligible Securities until the Trustee shall have received funds on behalf of the Issuer equal to the full amount of such shortfall. The foregoing is subject to the proviso that if a shortfall exists on the Business Day preceding the intended Termination Date, no part of the AISM Payment shall be due until such time as the Issuer is able to pay a sum at least equal to the AISM Payment in full in accordance with the procedures set out in this Condition 5 on the Termination Date.

*(iv) Issue Satisfies Payment*

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

*(v) Insufficiency*

The Issuer shall not be entitled to exercise its option pursuant to any of Conditions 6(c), 6(d), 6(e) or 6(i) to redeem, substitute or vary any of the Notes until such time as the Issuer has available for, and the Directors have the corresponding authority to, issue a sufficient number of Payment Eligible Securities of one or more classes as is required to be issued in accordance with this Condition 5(c) for the purposes of satisfying in full in accordance with this Condition 5(c) any AISM Payment required to be satisfied in connection with any such redemption, substitution or variation of the Notes.

*(vi) Market Disruption*

Notwithstanding the provisions of Conditions 5(c)(ii) and (iii), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th Business Day preceding any AISM Payment Date, then the Issuer may give a notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and (in accordance with Condition 16) the Noteholders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant AISM Payment may be deferred until such time as the Market Disruption Event no longer exists.

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Any such deferred AISM Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred AISM Payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant AISM Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred AISM Payment from (and including) the date on which the relevant AISM Payment was due to be made to (but excluding) the date on which such AISM Payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 4 and shall be satisfied only in accordance with Condition 5(c), as soon as reasonably practicable after the relevant deferred AISM Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 5(c)(iii).

*(vii) Listing*

The Issuer shall ensure (to the extent possible) that, at the time when any Ordinary Shares are issued pursuant to this Condition 5(c), such Ordinary Shares are admitted to the Official List of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the London Stock Exchange's EEA Regulated Market (or, if the London Stock Exchange is not a Recognised Stock Exchange at that time, such other stock exchange as is a Recognised Stock Exchange at that time).

*(viii) Suspension*

If, following any take-over offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement the company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the Calculation Agent, whereupon the operation of the AISM using Ordinary Shares shall be suspended (such event being a "**Suspension**"). In such event, unless a Permitted Restructuring Arrangement shall be put in place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee shall determine, subject to the requirements that (A) the Issuer shall not be obliged to reduce its net assets; (B) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for insurance regulatory capital and solvency purposes unless the Issuer has given at least six months' prior written notice to, and receiving no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that such notice is required to be given); and (C) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order to (x) preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (y) to replicate the AISM in the context of the capital structure of the new Ultimate Owner. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the Noteholders or Couponholders, effect any necessary consequential changes to these Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy an AISM Payment using Ordinary Shares by the method contemplated in Condition 5(c) shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent and the Notes shall (subject in each case to the Issuer giving at least six months' prior written notice to, and receiving no objection from, the FSA (or such other



period of notice as the FSA may from time to time require or accept and, in any event, provided that such notice is required to be given) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer either be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or shall be redeemed, in each case as described below.

If the Notes are to be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable) and all (but not some only) of the Notes will be substituted for, or the terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant investment bank referred to above) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will either (at the option of the Issuer) (A) be carried over such that the rights thereto are preserved for the purposes of the Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or (B) be satisfied (unless otherwise agreed by the Issuer and the Trustee) by the issue of Eligible Securities to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay the amount of such Deferred Interest Payments in accordance, mutatis mutandis, with Conditions 5(c)(iii), (iv), (v) and (vi) (with references to the Payment Eligible Securities being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the amount of such Deferred Interest Payments so payable by the Issuer). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the FSA does not consent to such substitution or variation or it is otherwise not practicable for the Notes to be substituted or varied as described above, the Issuer may, subject as provided above, elect to redeem the Notes as provided in this Condition 5(c)(viii). In connection with any substitution or variation in accordance with this Condition 5(c)(viii), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and (for so long as the Notes are admitted to the Official List of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market and the rules of such exchange require) shall publish a supplement in connection therewith.

If the Notes are to be redeemed by the Issuer, the Issuer shall give notice thereof to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable and which shall expire as soon as practicable after confirmation of no objection from the FSA) and all (but not some only) of the Notes will be redeemed at the Suspension Redemption Price specified hereon, together in each case with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Issuer to the

Noteholders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay such redemption amount in accordance, mutatis mutandis, with Conditions 5(c) (iii), (iv), (v) and (vi) (with references to the Payment

Ordinary Shares being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the redemption amount so payable by the Issuer).

*(ix) Authorisations*

The Issuer shall, subject to compliance with the requirements of the Companies Act 2006, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take other corporate actions required for the issue and allotment of such number of Eligible Securities as it reasonably considers would be prudent and would be required to be issued in order to enable the Issuer to make a payment satisfying the aggregate amount of Deferred Interest Payments (if any) and the aggregate of Interest Payments due on the Interest Payment Date(s) falling in the succeeding 12 month calendar period, provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation required is the passing of a resolution of the shareholders of the Issuer if the board of directors of the Issuer proposes the relevant resolution to its shareholders for approval at any general meeting and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer of this Condition 5(c)(ix), the Trustee may only require the Issuer to put before the next general meeting of the holders of the Issuer a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that the Issuer is complying with its obligations under this Condition 5(c)(ix).

For the avoidance of doubt, any Eligible Securities which the Issuer is required to keep available for issue other than in connection with the Notes shall be discounted in determining whether the Issuer is complying with its obligations under this Condition 5(c)(ix).

*(d) No default*

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any Interest Payment by virtue of this Condition 5 or Condition 3(b)(i) shall not constitute a default for any purpose (including, without limitation, Condition 10(a)) on the part of the Issuer. Any Interest Payment so deferred shall not, except in the circumstances provided in Condition 5(c)(vi), bear interest.

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

*(a) No Fixed Redemption Date*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to the provisions of Condition 9) only have the right to repay, substitute, vary or purchase them in accordance with the following provisions of this Condition 6 or in the circumstances provided for in Condition 5(c)(viii).

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

In addition, any redemption, substitution, variation or purchase of the Notes is (i) subject to the Issuer giving written notice to the FSA of at least one month prior to giving notice to Noteholders pursuant to Conditions 6(c), 6(d) or 6(e) or prior to such purchase, as the case may be (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that any such notice is required to be given) and receiving no objection from the FSA (or, if so required by the FSA, in the case of any redemption of the Notes (or substitution or variation thereof to Qualifying Upper Tier 2 Securities), the consent of the FSA in the form of a waiver, (ii) (other than in the case of a Preference Share Substitution) subject to the Issuer being in compliance with the capital resources requirements applicable to it from time to time (and a certificate from any two Directors confirming such compliance shall be conclusive evidence of such compliance) and (iii) conditional on the terms of Condition 5(c)(v)

being satisfied prior thereto and all Deferred Interest Payments (if any) and (in the case of Condition 6(i) only) Accrued Interest Payments (if any) being satisfied in full by the operation of Condition 5(c) and the Trust Deed on or prior to the date thereof.

The Issuer may from time to time, in connection with an issue of Notes, enter into a replacement capital covenant for the benefit of one or more series of the Issuer's debt securities by specifying hereon that a replacement capital covenant is applicable (thereby indicating the Issuer's intention to enter into a replacement capital covenant in connection with such issue of Notes). A replacement capital covenant will generally provide that the Issuer will not redeem or repurchase any Notes, and will not permit any subsidiary to purchase any Notes, unless and to the extent the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a percentage of such net proceeds specified hereon) received by the Issuer or its subsidiaries, during the six months prior to such redemption, repurchase or purchase date (or such other period as may be specified in the terms of the replacement capital covenant and hereon), from one or more new issues of qualifying securities as specified in the terms of the replacement capital covenant, unless the replacement capital covenant is terminated prior to redemption, repurchase or purchase in accordance with its terms. If not terminated sooner, the replacement capital covenant will terminate on the redemption, repurchase or purchase of the Notes. If applicable, the replacement capital covenant will continue to be effective following any substitution or variation of the Notes in accordance with these Conditions.

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

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

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 1 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes (each a "Tax Law Change"), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, (A) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (B) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (C) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, then;
- (x) the Issuer may, subject to Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless

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otherwise specified hereon) at any time (if and for so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and for so long as this Note is a Floating Rate Note), all, but not some only, of the Notes at their principal amount, together, with any Outstanding Payments (all such amounts so payable being payable in cash, save for any Deferred Interest Payments which will be satisfied by operation of Condition 5(c)); or

- (y) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (y) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 5(c). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

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

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

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(e) on or prior to the expiration of the notice referred to below, and if Call Option is specified hereon, the Issuer may, subject to Condition 6(b), and having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Outstanding Payments. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

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

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

If Capital Disqualification Call is specified hereon and immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then:

- (i) the Issuer may, subject to Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, (but not some only), of the Notes (unless otherwise specified hereon) at any time or, if and for so long as this Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Capital Disqualification Redemption Price specified hereon in each case together with any Outstanding Payments (all such amounts so payable being payable in cash, save for any Deferred Interest Payments which will be satisfied by operation of Condition 5(c)); or
- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, as the case may be) agree to such substitution or variation. In connection therewith all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 5(c). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event in which event it shall be conclusive and binding on the Trustee and the Noteholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

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

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

**(g) Purchases**

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

As used in this Condition 6(g), “**Subsidiary**” means any entity which is for the time being a subsidiary (with the meaning of Section 1159 of the Companies Act 2006) of the Issuer.

**(h) Cancellation**

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

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

(i) The Issuer may, at any time (subject to Condition 6(b) and the provisions of this Condition 6(i)), give not less than 30 nor more than 60 days’ notice of its intention to effect a Preference Share Substitution (as defined below) (“**Substitution Notice**”) to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent (which notice shall be irrevocable), and shall on the expiry of such notice (the “**Substitution Date**”) cause the substitution in accordance with this Condition of all (but not some only) of the Notes with fully paid non-cumulative preference shares issued directly by the Issuer having the terms provided for below (the “**Substituted Preference Shares**”) and so that each Noteholder shall be issued and allotted Substituted Preference Shares with an aggregate nominal value equal to the aggregate nominal value of the Notes held by such Noteholder (such substitution being referred to herein as a “**Preference Share Substitution**”). The Issuer may only effect a Preference Share Substitution if, prior to the delivery of the relevant Substitution Notice, it has created (and is maintaining) a sufficient number of unissued Substituted Preference Shares to effect the Preference Share Substitution in accordance with this Condition 6(i) and has obtained (and is maintaining) the corporate authorisations necessary to effect the substitution of the Notes for the Substituted Preference Shares (including, but not limited to, the necessary resolutions of the Issuer to authorise the Directors to issue and allot the Substituted Preference Shares). The terms of the Substituted Preference Shares (the “**Preference Shares Required Terms**”) shall provide that:

- (A) the Substituted Preference Shares shall rank in a winding-up of the Issuer as described in Condition 3(c) *pari passu* with the Parity Securities;
- (B) the Substituted Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates;
- (C) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the AISM incorporated in the terms of the Substituted Preference Shares);
- (D) the Substituted Preference Shares may only be redeemed on the Substitution Preference Share Early Redemption Date specified hereon or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(e) and subject to the same conditions as those set out in Condition 6(b));

- (E) the Issuer shall not be required or entitled to effect, nor shall the Substituted Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Substituted Preference Shares or conversion of such Substituted Preference Shares into Ordinary Shares; and
- (F) on the winding up of the Issuer, each Substituted Preference Share shall entitle the holder thereof to a return of capital equal to its nominal amount,

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

- (ii) In connection with any Preference Share Substitution in accordance with this Condition 6(i), all Deferred Interest Payments and Accrued Interest Payments (if any) will be satisfied by the operation of Condition 5(c).
- (iii) The Issuer shall enclose with the Substitution Notice a substitution confirmation (the “**Substitution Confirmation**”) which each Noteholder will be required to complete, and which shall require each Noteholder to provide to the Issuer such information as the Issuer may reasonably require to be able to effect a Preference Share Substitution in accordance with this Condition 6(i). The form of such Substitution Confirmation shall also be made available at the offices of each Paying Agent. To receive Substituted Preference Shares in respect of its holding of Notes, each Noteholder must deliver to a Paying Agent a duly completed Substitution Confirmation together with all relevant Notes held by it. Any such Preference Share Substitution shall be effected subject in each case to any applicable fiscal laws or other laws or regulations. Certificates (if any) for Substituted Preference Shares issued on a Preference Share Substitution will be despatched by or on behalf of the Issuer by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month of the later of the Substitution Date and receipt of a duly completed Substitution Confirmation. Noteholders will continue to be entitled to receive payments in respect of the Notes until the Substitution Date (provided that the Substituted Preference Shares are available for issue as aforesaid from the Substitution Date and the Issuer makes the payment referred to in Condition 6(i)(ii)) and thereafter Noteholders will have no further rights, title or interest in or to their Notes except to have them substituted in the manner described in this Condition 6(i). Each Substituted Preference Share allotted will rank for any dividend from the Substitution Date and will, without prejudice to Condition 6(i)(ii), have no entitlement to any Accrued Interest Payment or any other payment on the Notes.
- (iv) The Issuer will pay any stamp duty reserve taxes or capital duties or stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Substituted Preference Shares. The Issuer will not be obliged to pay, and each Noteholder delivering Notes and a duly completed Substitution Confirmation to a Paying Agent must pay, any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant Preference Share Substitution. The Issuer will not be obliged to pay, and each Noteholder must pay, all, if any, taxes arising by reference to any disposal or deemed disposal of a Note in connection with such Preference Share Substitution. If it would have an adverse effect on the stamp duty, stamp duty reserve tax or other documentary or registration tax or duty position of the Noteholders or the Couponholders (or of any purchaser of the Substituted Preference Shares in respect of the purchase from the person to whom the Substituted Preference Shares are originally allotted) for the Substituted Preference Shares not to be deposited on issue with a common depositary or common safekeeper (as the case may be) on behalf of Euroclear or

Clearstream, Luxembourg, the Issuer shall use its reasonable endeavours to procure that the Substituted Preference Shares are so deposited and that no election is made in respect of the Substituted Preference Shares in accordance with section 97A of the Finance Act 1986.

- (v) Following delivery by the Issuer of a Substitution Notice, the Issuer shall use all reasonable endeavours to obtain and maintain a listing of the Substituted Preference Shares on a Recognised Stock Exchange.
- (vi) In connection with any Preference Share Substitution in accordance with this Condition 6(i), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and (for so long as the Notes are listed on the London Stock Exchange and the rules of such exchange require) shall publish a supplement in connection therewith if the Issuer is required to do so in order to comply with Section 87 of the FSMA.
- (vii) The provisions of this Condition 6(i) (except for Condition 6(i)(ii) as regards satisfaction of Accrued Interest Payments (if any)) will apply mutatis mutandis to Conditions 6(c) and 6(e) in the event that the Qualifying Tier 1 Securities for which the Notes may be substituted in accordance with either of Conditions 6(c) and 6(e) comprise Substituted Preference Shares.
- (viii) Notwithstanding any other provision of this Condition 6(i), the Issuer shall be entitled to take such steps as it may determine to be necessary or desirable to avoid or mitigate any stamp duty, stamp duty reserve tax or other tax consequences arising in relation to the Substituted Preference Shares, and its obligations under this Condition 6(i) in respect of a Preference Share Substitution shall be satisfied if there shall be issued and delivered to the Noteholders perpetual non-cumulative securities issued by another entity and secured on Substituted Preference Shares and representing and/or passing through to Noteholders the economic effect of such Substituted Preference Shares and in particular with provisions relating to payments which match those in relation to the Substituted Preference Shares (as to timing and amount, and as to waiver and subordination) and provided that if at the relevant time the Substituted Preference Shares are rated by one or more rating agencies, each such rating agency shall assign the same rating to such perpetual non-cumulative securities as it has assigned to the Substituted Preference Shares.

## **7. Payments and Talons**

### **(a) Bearer Notes**

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

### **(b) Registered Notes**

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



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first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

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

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

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

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

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

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the AISM Calculation Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the AISM Calculation Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, the AISM Calculation Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a European Union Member State (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive and (vi) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market.

If the AISM Calculation Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the AISM Calculation Agency Agreement, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. All calculations and determinations made by the AISM Calculation Agent shall (save in the case of manifest error or error proven to the satisfaction of the Trustee) be final and binding on the Issuer, the Trustee, the Agents, the Noteholders and the Couponholders.

None of the Issuer, the Trustee or the other Agents shall have any responsibility to any person for any errors or omissions in any calculation, or any sale of Ordinary Shares made pursuant to Condition 5(c) or otherwise, by the AISM Calculation Agent.

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

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

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

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

**(g) *Talons***

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

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

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

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

**8. Taxation**

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

deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

**(a) Other connection**

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

**(b) Lawful avoidance of withholding**

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

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

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

**(d) Payment to individuals**

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

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

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

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

## 9. Prescription

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

**10. Non-Payment when Due**

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3(b) no principal, premium, interest or any other amount will be due if the Issuer would not be solvent. Also, in the case of any Interest Payment, such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 5 or if the circumstances referred to in any of Conditions 5(c)(v), (vi) or (viii) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

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

If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal and/or premium) for a period of seven days or more after the due date for the same or (in the case of any Interest Amount, Deferred Interest Payment, Accrued Interest Payment or any payment under Clause 2.10 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee may, notwithstanding the provisions of Condition 10(b), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

**(b) Enforcement**

Without prejudice to Condition 10(a) and subject as provided in Condition 5(c)(ix), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Payments in respect of the Notes or the Coupons, including any payment under Clause 2.10 of the Trust Deed in respect of a payment shortfall and damages awarded for breach of any obligations) and in no event shall the Issuer by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

**(c) Entitlement of Trustee**

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or 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 to its satisfaction.

**(d) Right of Noteholders**

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

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

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

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

**(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Deferred Interest Payment on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Deferred Interest Payment in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Nominal Redemption Amount, the Capital Disqualification Redemption Price, Suspension Redemption Price or the Optional Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (ix) to modify Condition 3, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 6(c), 6(e) and 5(c)(viii) in connection with the substitution or variation of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 6(c), 6(e) or 5(c)(viii), as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

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

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

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**(c) Notice to FSA**

No modification to these Conditions or any other provisions of the Trust Deed (other than a modification which is in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error) shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

**(d) Substitution**

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

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "Substituted Territory") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "Issuer's Territory"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

In connection with any proposed substitution as aforesaid, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of

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such substitution or such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

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

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

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

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

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## **15. Further Issues**

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

## **16. Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if

published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

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

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

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

#### **18. Definitions**

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

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

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

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

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

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

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

“**Capital Breach Event**” means the occurrence of a breach by the Issuer or the Group or any member of the Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the Issuer or the Group or any member of the Group, as the case may be);

“**Capital Disqualification Event**” is deemed to have occurred if as a result of change of law or regulation or interpretation thereof applicable to the Notes, (1) the Notes would not be eligible (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) to form part of its minimum capital resources applicable to the Issuer under the Directive or the Relevant Rules; or (2) at any time the Issuer or the Group is required under the Directive or the Relevant Rules to have Tier 1 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis; or (3) at any time the Issuer or the Group is required under the Directive and the Relevant Rules to have Tier 1 Capital and the Issuer would be entitled pursuant to Condition 6(i) to substitute the Notes by Substituted Preference Shares, such Substituted Preference Shares would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis;

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

“**Directive**” means Directive 98/78/EC of the European Union;

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



“**Discretionary Interest Payment Date**” means every Interest Payment Date with respect to which (1) an event of the type described under limb (1) of the definition of a Capital Disqualification Event has not occurred or is not continuing or (2) a Capital Breach Event has occurred prior to such Interest Payment Date and is continuing, or is reasonably likely to occur as a result of making the payments due, on such Interest Payment Date;

“**Eligible Company**” means a company incorporated in a member state of the European Union by or on behalf of the Issuer whose ordinary shares are listed (i) on the official list of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the London Stock Exchange’s EEA Regulated Market or (ii) on such other internationally Recognised Stock Exchange as the Trustee may approve;

“**Eligible Securities**” means Ordinary Shares, PIK Securities or other Preferred Parity Securities;

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

“**Financial Services Authority**” or “**FSA**” means the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary insurance supervisory authority with respect to the Group;

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

“**holding company**” has the meaning given to it under Section 1159 of the Companies Act 2006;

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

“**Intent-Based Replacement Disclosure**” means, in relation to any non-cumulative perpetual preference share of the type referred to in the definition of Preferred Parity Securities, that the Issuer has publicly stated its intention, in the prospectus or other offering document under which such securities were initially offered for sale, that the Issuer and its subsidiaries will repay, redeem, repurchase or purchase such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of repayment, redemption, repurchase or purchase that are as, or more, equity-like than the securities then being repaid, redeemed, repurchased or purchased, raised within 180 days prior to the delivery of the relevant notice of repayment or redemption or the date of such repurchase or purchase;

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

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

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

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

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

“**Market Disruption Event**” means, with respect to any class of Payment Eligible Securities, (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the London Stock Exchange or otherwise) or on settlement procedures for transactions in such class of Payment Eligible Securities on the London Stock Exchange if, in any such case, that suspension or limitation is, in the determination of the AISM Calculation Agent, material in the context of the sale of such class of Payment Eligible Securities; or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the relevant Payment Eligible Securities or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the relevant Payment Eligible Securities, as the case may be;

“**New Holding Company**” means an Eligible Company that becomes the ultimate holding company of the Group following a Permitted Restructuring;

“**Notional Preference Shares**” means preference shares in the capital of the Issuer having an equal right to a return of assets in the winding-up to, and so ranking pari passu with, the holders of the most senior class or classes of preference shares with non-cumulative dividends in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer other than the Priority Preference Shares, but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Upper Tier 2 Securities in a winding-up of the Issuer is determined;

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

“**Ordinary Shares Threshold**” means, in connection with any Deferred Interest Payment, the aggregate number of Ordinary Shares issued and/or sold by the Issuer in any rolling 12-month period shall not exceed 2 per cent. of the aggregate number of the Ordinary Shares in issue at the start of such period (including those held in issue and held in treasury);

“**Other Parity Securities**” means securities issued by the Issuer the substantive terms of which are the same in all material respects as those of the Notes save for the pricing terms thereof (including interest rate, currency, denomination and payment dates) which are issued pursuant to Condition 5(c) and which comply with the then current requirements of the FSA in relation to Tier 1 Capital;

“**Outstanding**”, in relation to any Interest Payment, Deferred Interest Payment or Interest Amount not falling within the definition of Interest Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 3(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Condition 5, 5(c)(v), (vi) or (viii); and (b) in any such case has not been satisfied and, in respect of any Accrued Interest Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

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

“**Payment**” means any Interest Payment, Deferred Interest Payment, Accrued Interest Payment or Interest Amount not falling within the definition of Interest Payment;

“**Payment Eligible Securities**” has the meaning given to it in Condition 5(c)(iii)(A);

“**Permitted Restructuring**” means the completion of (i) an offer made by or on behalf of, an Eligible Company to all (or as nearly as may be practicable all) shareholders of the Issuer (or, if the Issuer is not the Ultimate Owner, the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then Ultimate Owner, the then Ultimate Owner) other than those already held by or on behalf of such Eligible Company or (ii) a 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 Ultimate Owner, the then Ultimate Owner) other than those already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner) not held by the New Holding Company are cancelled;

“**Permitted Restructuring Arrangement**” means an arrangement whereby the following conditions are satisfied (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that (i) the alternative interest satisfaction mechanism

as described in Condition 5(c), the Trust Deed and the AISM Calculation Agency Agreement operates so that Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that upon sale of such Holding Company Shares the Noteholder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 5(c), an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the Noteholders, of a holding of the Notes prior to the Permitted Restructuring is substantially preserved; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and by Moody's Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

**"PIK Securities"** means further Notes which are issued pursuant to Condition 5(c) and which comply with the then current requirements of the FSA in relation to Tier 1 Capital;

**"PIK Securities Threshold"** means the principal amount of PIK Securities and Other Parity Securities issued and/or sold by the Issuer on one or more occasions should not in aggregate exceed 15 per cent. of the aggregate principal amount of the Notes issued on the Issue Date (as increased by any further Notes (other than PIK Securities) issued pursuant to Condition 15);

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

**"Preferred Parity Securities"** means (i) PIK Securities; (ii) Other Parity Securities; and (iii) non-cumulative perpetual preference shares which contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital of the Issuer and either (a) which contain a provision for mandatory deferral of periodic dividends or distributions upon a failure to satisfy one or more financial tests set forth in the terms of the Preferred Parity Securities and, if the Issuer is no longer a holding company of a regulated insurance company, in respect of which the Issuer has made Intent-Based Replacement Disclosure or (b) in respect of which the Issuer has entered into a replacement capital covenant for the benefit of one or more designated series of the Issuer's debt securities;

**"Preferred Parity Securities Threshold"** means the principal amount of Preferred Parity Securities (including PIK Securities and other Parity Securities) issued and/or sold by the Issuer on one or more occasions shall not in aggregate exceed 25 per cent. of the aggregate principal amount of the Notes issued on the Issue Date (as increased by any further Notes (other than PIK Securities) issued pursuant to Condition 15);

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

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

- (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 5(a) or Condition 5(b), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes but not necessarily having provisions analogous to the provisions of Condition 5(c) and preserve the Interest Payment Dates; (3) rank senior to, or *pari passu* with, the Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 1 Securities may not be redeemed by the Issuer prior to the first Optional Redemption Date specified hereon (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(c) or Condition 6(e) and subject to the same conditions as those set out in Condition 6(b)); (5) do not contain any term which provides for, requires or entitles the

Issuer to effect any loss absorption through the write-down of the nominal amount of Qualifying Tier 1 Securities or conversion of such Qualifying Tier 1 Securities into Ordinary Shares; and (6) preserve any existing rights under these Conditions to any Accrued Interest Payment, any Deferred Interest Payment and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and

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

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

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

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

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

“**Relevant Rules**” means any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area implementing the Directive);

“**Senior Creditors**” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer; (b) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or whose claims rank, or are expressed to rank *pari passu* with, or junior to, the claims of Noteholders); (c) creditors of the

Issuer whose claims are in respect of the Issuer's outstanding debt securities which constitute Tier 2 Capital (and such other securities outstanding from time to time which rank pari passu with, or senior to, any of such Tier 2 Capital); and (d) holders of Priority Preference Shares;

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

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

“**subsidiary**” has the meaning given to it under Section 1159 of the Companies Act 2006;

“**subsidiary undertaking**” has the meaning given to subsidiary undertaking under section 1162 of the Companies Act 2006;

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

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

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

“**Substitution Accrued Amount**” means any Accrued Interest Payment which is to be satisfied on substitution of the Notes for Substituted Preference Shares in accordance with Condition 6(i)(ii);

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

“**Substitution Event**” means the occurrence of a breach by the Issuer or the Group or any member of the Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the Issuer or the Group or any member of the Group, as the case may be);

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

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

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

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

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

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

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

“**Upper Tier 2 Capital**” has the meaning given to it by the FSA from time to time; and

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

## 19. Governing Law

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

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### **Initial Issue of Notes**

If the Global Notes in respect of any series of Senior Notes in bearer form are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. If the Global Certificates in respect of any series of Senior Notes in registered form are stated in the applicable Final Terms to be issued in NSS form, the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Where the Global Notes issued in respect of any Tranche are in NGN form or are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or Global Certificates (as the case may be) with the Common Safekeeper does not necessarily mean that the relevant Senior Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository (other than Global Certificates in NSS form, which shall be delivered to a Common Safekeeper).

If the Global Note is in CGN form upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

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

### **Exchange**

#### ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Overview of the Programme-Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

If the temporary Global Note is exchangeable for Definitive Notes at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination specified in the Final Terms (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)).

#### ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

#### ***Permanent Global Certificates***

If the Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) with the consent of the Issuer,  
provided that, in the case of the first transfer of part of a holding pursuant to (i) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

#### ***Delivery of Notes***

If the Global Note is in CGN form, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is in NGN form, the Issuer will procure that

details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

#### **Exchange Date**

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

#### **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

#### **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(e) (in the case of the Senior Notes), Condition 7(f)(v) and Condition 8(e) (in the case of the Dated Tier 2 Notes) and Condition 7(f)(iv) and Condition 8(e) (in the case of the Undated Tier 2 Notes and the Tier 1 Notes) will apply to the Definitive Notes only. If the Global Note is in NGN form, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h) (Non-Business Days).

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

#### **Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).



### ***Meetings***

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each £1 of principal amount of the Notes.

### ***Cancellation***

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

### ***Purchase***

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

### ***Issuer's Option***

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

### ***Noteholders' Options***

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is in NGN form, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

### ***NGN nominal amount***

Where the Global Note is in NGN form, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Senior Notes represented by such Global Note shall be adjusted accordingly.

### ***Trustee's Powers***

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

and, in the case of Registered Notes only, the Trustee may have regard to any other letter of confirmation, form of record, information and/or certification as the Trustee shall, in its absolute discretion, think fit as evidence that at any particular time or throughout any particular period any particular person should be regarded as having an interest in a particular nominal amount of Registered Notes and if the Trustee does so rely on such evidence, such letter of confirmation, form of record, information and/or certification shall be conclusive and binding on all concerned.

***Notices***

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Series or Tranche of Notes will be used to fund the general business and commercial activities of the Group, including the refinancing of Group borrowings, and to strengthen further its capital base.

## DESCRIPTION OF THE GROUP

### General

The Issuer, Aviva plc, is a public limited company incorporated under the laws of England and Wales, and is the holding company of the Group. The Group is one of the world's leading global insurance groups and is one of the largest providers of long-term insurance and savings products in the UK and Europe. Its main activities are the provision of products and services in relation to long-term insurance and savings, general insurance and fund management.

The Issuer is incorporated and registered in England as a public limited company, registered number 2468686. The issued share capital of the Issuer at 30 June 2012 comprised 25 pence ordinary shares totalling £729 million, and 200 million irredeemable preference shares of £1 each, all of which are fully paid. This results in a total issued share capital of £929 million.

The Group's registered office is St Helen's, 1 Undershaft, London EC3P 3DQ. The telephone number is +44 (0)20 7283 2000.

### The Group's history

The Group was formed by the merger of CGU plc and Norwich Union plc on 30 May 2000. CGU plc was renamed CGNU plc on completion of the merger, and subsequently renamed Aviva plc on 1 July 2002.

CGU plc and Norwich Union plc were both major UK-based insurers operating in the long-term insurance business and general insurance markets. Both companies had long corporate histories. CGU plc was formed in 1998 from the merger of Commercial Union plc and General Accident plc. Commercial Union was founded in 1861, and in 1905 acquired Hand in Hand, which was itself established in 1696. General Accident plc was established in 1865. Norwich Union plc was founded as a mutual society in 1797 and operated as such until 1997, when it demutualised and became an English public limited company.

### Group strategy

For insurance companies such as those comprising the Group, the regulatory environment demands investment discipline, greater strategic focus and a strong balance sheet. In July 2012 the Group outlined a revised Strategic Plan 2012 with three main objectives:

- Narrow the Group's Focus — Focus on fewer business segments where it believes it can produce attractive returns and with a high probability of success.
- Build Financial Strength — Achieve target economic capital levels in line with industry peers, reduce capital volatility, and bring leverage down to a conservative level.
- Improve Financial Performance — Aim to deliver a higher level of revenue growth, a lower cost-income ratio, lower losses and claims and higher return on capital, notwithstanding the subdued economic environment in developed markets.

The Group expects the bulk of these changes to take place over the 12 months commencing July 2012, but expects some to extend through to the end of 2013.

On 8 November 2012, Aviva plc announced that the Group is pursuing active discussions with external parties in relation to the potential disposal of the Group's US business. If a transaction were to be completed, the Group expects it would bring the Group's economic capital surplus to or close to the minimum of its target range and be executed at a substantial discount to book value.

### Business of the Group

#### Overview

The Group's principal activity is the provision of financial products and services focussed on long-term insurance and savings, general insurance and health, and fund management products and services. The Group has markets with two distinctive characteristics and clear aims:

- The Developed Markets are UK & Ireland ("UK&I"), France, Spain, Italy, the USA and Canada. In these markets the Group has a clear priority to increase profits and cash generation through a combination of operational efficiencies and scale advantages.

- The Higher Growth Markets are the Group's businesses in Asia, Poland, Turkey and Russia. These countries have higher growth characteristics due to their economic growth potential and relatively low penetration of insurance products. The Group expects that these businesses will grow quickly and make an increasingly material contribution to profits.

Aviva Investors, the Group's fund management business provides fund management services to third-party investors and to the Group's long-term insurance businesses and general insurance operations.

The geographic operating segments offer the following lines of business to a greater or lesser extent:

### **1. Long-term insurance and savings business**

The Group's long-term business generated £2.1 billion of pre-tax IFRS operating profit from continuing operations in the year ended 31 December 2011.

The Group's focus remains on growing business profitably and improving operational efficiency so that it can fully benefit as the Group's major markets return to economic growth.

#### ***Market position***

In its Developed Markets, the Group has life insurance operations in the UK & Ireland, France, the US, Spain and Italy. The Group has a 12 per cent. share of the UK market<sup>1</sup>. The Group's French life insurance business is the sixth largest life insurer in the French market and offers a range of long term insurance and savings products which focus on the unit linked market<sup>2</sup>. The Group's US life and annuity business is a leading provider of both fixed indexed life and fixed indexed annuity products in the US.

In its Higher Growth Markets, the Group's life insurance operations include businesses in Poland, Singapore, China and India.

#### ***Brands and products***

The Group has operated under the brand name Aviva globally since June 2010.

The Group's long-term insurance and savings businesses offer a broad range of life insurance and savings products. The Group's products are split into the following categories:

- Pensions — A means of providing income in retirement for an individual and possibly his or her dependants. The Group's pension products include personal and group pensions, stakeholder pensions and income drawdown.
- Annuities — A type of policy that pays out regular amounts of benefit, either immediately and for the remainder of a person's lifetime, or deferred to commence from a future date. Immediate annuities may be purchased for an individual and his or her dependants or on a bulk purchase basis for groups of people. Deferred annuities are asset accumulation contracts, which may be used to provide benefits in retirement, and may be guaranteed, unit-linked or index-linked.
- Protection — An insurance contract that protects the policyholder or his or her dependants against financial loss on death or ill-health. The Group's product ranges include term assurance, mortgage life insurance, flexible whole life and critical illness cover.
- Bonds and savings — Accumulation products with single or regular premiums and unit-linked or guaranteed investment returns. The Group's product ranges include single premium investment bonds, regular premium savings plans, mortgage endowment products and funding agreements.
- Investment sales comprise of retail sales of mutual fund type products such as unit trusts, individual savings accounts ("ISAs") and Open Ended Investment Companies ("OEICs").
- Other, which includes equity release and structured settlements.

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(1) Based on ABI data for Full Year 2011 on an APE basis. APE is a recognised sales measure in the UK and is the total of new annual premiums plus 10 per cent of single premiums.

(2) Based on Gross Written Premiums for the financial year ended 31 December 2011. Source: *Fédération Française des Sociétés d'Assurance*.

Some of the Group's insurance and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts.

## 2. General insurance and health insurance

The Group's general insurance and health insurance business together generated £0.9 billion of pre-tax IFRS operating profit from continuing operations for the year ended 31 December 2011. This was based on general and health insurance net written premiums from continuing operations of £9.2 billion.

### *Market position*

In its Developed Markets, the Group has general insurance operations in the UK & Ireland, Canada, France and Italy. The Group is a leading general insurer in the UK, while the Group's Canadian business is the second largest general insurer in the country<sup>3</sup>.

In its Higher Growth Markets, the Group's general insurance and health operations include businesses in Poland, Turkey and Singapore.

### *Brands and Products*

The sale of RAC in September 2011 means that the Group's general insurance business now operates under a single brand across the world.

The Group's general insurance business concentrates on:

- Personal lines — Motor, household, travel and creditor.
- Commercial lines — Fleet, liability and commercial property insurance.
- Health insurance — Private health insurance, income protection and personal accident insurance, as well as a range of corporate healthcare products.
- Corporate and speciality risks — Products for large clients or where the risk is specialist.

### *Distribution*

Customers can buy the Group's products through a range of distribution channels, including:

- Direct — In many of the Group's markets, customers can buy products over the telephone or via the internet. This method of distribution is most commonly available for simple, low cost products which do not require advice.
- Direct sales force — In some of the Group's European and Asia Pacific markets the Group operate direct sales forces that only sell Aviva's products and the sales forces receive commission on the products they sell.
- Intermediaries — The Group offers a range of long-term insurance, savings, retirement, general insurance and health insurance products which can be bought through an intermediary, such as an independent financial adviser or an insurance broker. Intermediaries receive a commission on sales of Aviva's products.
- Corporate partnerships, bancassurance and joint ventures — Aviva is a corporate partner for many organisations, including banks and other financial institutions, who wish to offer their customers insurance products. The Group has various distribution agreements with bancassurance partners and joint ventures across the markets in which it operates. Depending on the line of business in that market, the agreements offer long-term insurance products, general insurance and health products, asset management services or a combination thereof. In return for offering the Group's products to their customers, the bank or joint venture partners receive a commission as a percentage of sales and in some cases achieve extra commission if agreed target levels of sales are met. Certain agreements have a profit sharing element based on predetermined percentage. In some cases, if the agreed targets are not met, certain terms of the contract can be renegotiated. Under the joint venture agreements, the cost of running the venture are often split between the partners.

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(3) Based on Gross Written Premiums for the financial year ended 31 December 2011. Source: Market-Security Analysis & Research Inc 2012 report.

### **3. Fund management**

Aviva Investors, the Group's fund management business, provides fund management services to Aviva's long-term insurance and savings, and general insurance operations as well as to a growing number of third-party investors. The main fund management operations are in the UK, North America, Europe, Asia and the Middle East. All sales of retail fund management products are included in the Group's long-term insurance and savings business sales.

#### ***Market position***

Aviva Investors, the Group's fund management business, provides fund management services to Aviva's long-term insurance and savings, and general insurance operations as well as to a growing number of third-party investors. Aviva Investors was established in 2008 when the Group combined all of its major fund management components into a single global fund management business. All sales of retail fund management products are included in the Group's long-term insurance and savings business sales.

#### ***Assets under management***

Total worldwide funds managed by Aviva Investors at 31 December 2011 were £263 billion, the substantial majority of which related to Aviva's insurance and savings operations.

#### ***Brands and products***

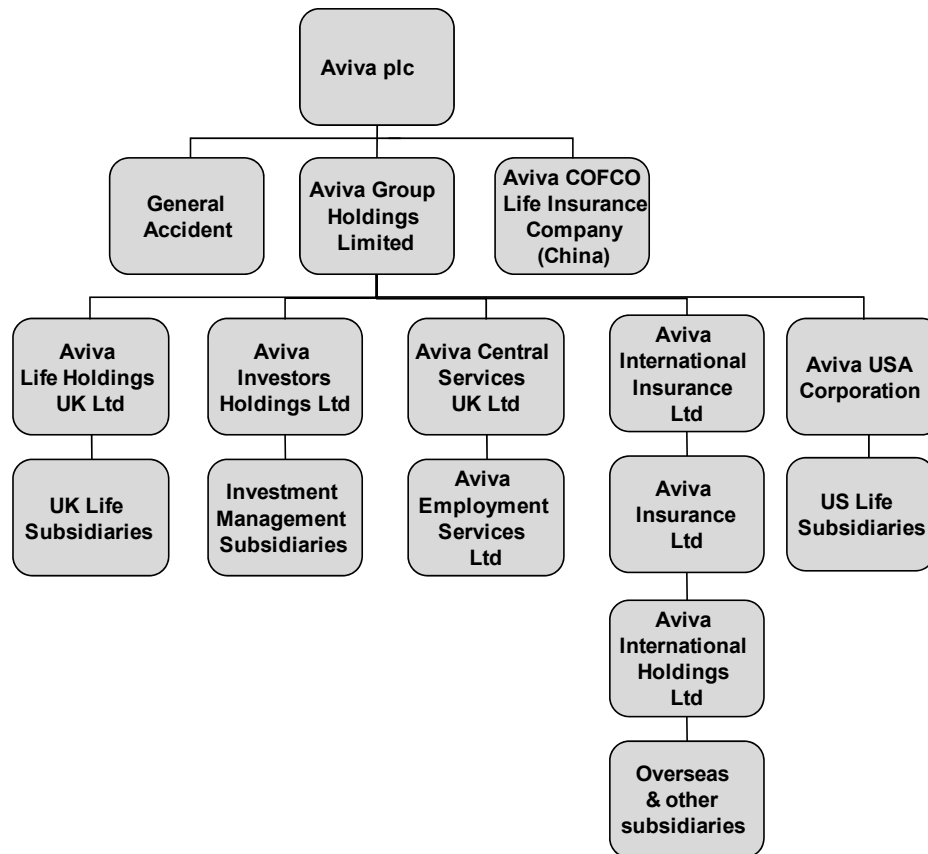
Aviva Investors manages investments including equities, fixed income, property, hedge fund and socially responsible investments ("SRIs") on behalf of institutional, pension fund and retail clients. It also sells retail ISAs, unit trusts, OEICs and structured products under the Aviva Investors brand.

#### ***Operating Segments***

The Chief Executive Officer of the Group's three largest businesses (i.e. UK life insurance ("UK Life"), UK general insurance ("UK GI") and France) are members of the Group's Executive while other businesses are represented by the Chief Executive Officer for Higher Growth Markets, and Executive Director, Developed Markets. The members of the Group's Executive are accountable to the Group Chief Executive for the operating performance of their businesses or segment. This structure is intended to ensure the Group's ability to take advantage of market opportunities, improve speed of response, eliminate duplication of effort, and encourage the sharing of best practice in the interests of customers and shareholders, while providing local knowledge.

**Organisational structure**

The following chart shows, in simplified form, the organisational structure of the Group as at 20 November 2012.

**Ratings**

Since the Issuer's announcement on 8 March 2012 of its full year results for the year ending 31 December 2011, S&P have downgraded the financial strength ratings of the Group's core operating subsidiaries (including Aviva Insurance Limited, the Guarantor) from AA- with a Negative outlook to A+ with a Stable outlook. As at 20 November 2012, the Group's core operating subsidiaries are assigned a Financial Strength Rating of A+ with a stable outlook by S&P, Aa3 with a negative outlook by Moody's and A with a stable outlook by AM Best.

**Recent material business developments**

The following summarises the recent material developments since the Issuer's announcement on 8 March 2012 of the year end results for the Group for the 12 months ended 31 December 2011, along with an intended transaction impacting the Guarantor:

**Internal Reorganisation**

On 19 April 2012, the Group announced a new, streamlined management structure as part of a strategy to simplify and bring more focus to the business. As a result of a reduction in the number of countries in which it operates, it decided to remove the regional layer of its management structure (i.e. the UK, European, Asian and North American regions) and instead, to group businesses based on their characteristics (i.e. Developed or Higher Growth). Following on from the announcement of the new management structure there were changes to the composition of the Group Executive Committee including the departures of the regional Chief Executive Officers for the European and North American regions and the appointment of the Chief Executives of the Group's major businesses (i.e. UK Life, UK GI and France).



*Departure of Group CEO and announcement of new Strategic Plan*

On 8 May 2012 the Group announced that the Group Chief Executive Officer (“CEO”) had resigned from the role and would cease to be the Group CEO with immediate effect. It also announced that the Chairman designate would become interim Executive Deputy Chairman with immediate effect and Executive Chairman from 1 July 2012 pending the appointment of a new, permanent Group CEO. The Group announced a new set of priorities based around Focus, Financial Strength, Performance and Stakeholders (see paragraph on “Group Strategy”). Further details of these new priorities, and how they would be achieved were outlined in a presentation to investors on 5 July 2012.

*Disposal of Delta Lloyd shares*

On 5 July 2012, the Group sold 37.2 million shares in Delta Lloyd N.V. (“Delta Lloyd”) (the Group’s Dutch long-term insurance, general insurance and fund management associate) for £313 million (net of costs), reducing its holding to 19.8 per cent. of Delta Lloyd’s ordinary share capital, representing 18.6 per cent. of shareholder voting rights. Following the transaction the Group no longer had a significant influence over Delta Lloyd, and therefore ceased to account for that company as an associate in its financial statements from 5 July 2012. From that date, the Group’s holding was classified as a financial investment, held at fair value through profit and loss.

*Transfer of Irish GI business to the Guarantor*

On 30 November 2012 the Group intends to transfer its existing Irish general insurance (“GI”) business to Aviva Insurance Limited (the Guarantor) and to start writing new Irish GI business via a branch of the Guarantor. The transaction is being completed via an Irish Court order and involves the transfer of €1.2bn of General Insurance liabilities from Aviva Insurance Europe SE (the current Irish GI operating company and a subsidiary of the Guarantor) to the Guarantor, along with sufficient assets to match the economic value of the liabilities. The transaction follows on from the Group’s decision to integrate the management structure of its Irish Life and Irish GI businesses with the UK Life and GI businesses respectively and is expected to bring operating performance, capital and liquidity benefits.

*Potential Disposal of US business*

On 8 November 2012, Aviva plc announced that the Group is pursuing active discussions with external parties in relation to the potential disposal of the Group’s US business. If a transaction were to be completed, the Group expects it would bring the Group’s economic capital surplus to or close to the minimum of its target range and be executed at a substantial discount to book value.

**Management***Directors of the Issuer*

The following is a list of directors of the Issuer and their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Issuer, as at 20 November 2012. The business address of each of the directors referred to below is at St Helen’s, 1 Undershaft, London EC3P 3DQ.

<b>Name</b>	<b>Responsibilities in relation to the Issuer</b>	<b>Other significant directorships</b>
John McFarlane	Executive Chairman	Westfield Holdings Limited (Non-executive director) Old Oak Holdings Limited (Director) Cranfield School of Management (Member of Advisory Board)
Pat Regan <sup>(4)</sup>	Chief financial officer	—
Trevor Matthews <sup>(4)</sup>	Executive Director, Developed Markets	Financial Skills Partnership (Chairman) UK Commission for Employment and Skills (Commissioner) Chartered Insurance Institute (Director)

(4) Pat Regan and Trevor Matthews are also members of the board of directors of the Guarantor.

Name	Responsibilities in relation to the Issuer	Other significant directorships
Richard Goeltz	Non-executive director	Association of British Insurers (Director) International Insurance Society (Director) Warnaco Group Inc (Non-executive director) The New Germany Fund (Non-executive director) London School of Economics and Political Science (Governor) American Academy in Berlin (Trustee) Central Europe and Russia Fund (Non-executive director) European Equity Fund (Non-executive director)
Scott Wheway Russell Walls	Non-executive director Non-executive director	— Biocon Limited (Non-executive director) Signet Jewelers Limited (Non-executive director) Fortis Capital Equity Fund (Committee member) Syngene Limited (Non-executive director) Mytrah Energy Limited (Non-executive director)
Euleen Goh	Non-executive director	CapitaLand Limited (non-executive director) Singapore Institute of International Affairs (Adviser) NUS Business School (Advisory Board Member) Singapore International Foundation (Chairman, Board of Governors) Accounting Standards Council (Chairperson) NorthLight School (Chairperson, Board of Governors) DBS Bank (Non-executive director) DBS Group Holdings Limited (Non-executive director) Singapore Airlines Limited (Non-executive director) Singapore Chinese Girls' School (Non-executive director)
Michael Hawker	Non-executive director	The George Institute for Global Health (Chairman/Director) The George Institute for Global Health (UK) (Director/Trustee) General Enterprise Management Services International Limited (Advisory Board director) Macquarie Bank Limited (Non-executive director) Macquarie Group Limited (Non-executive director) Australian Rugby Union (Chairman/Non-executive director) Dayera Investments Pty Limited (Director)

Name	Responsibilities in relation to the Issuer	Other significant directorships
Gay Huey Evans	Non-executive director	SANZAR JV (Chairman) SANZAR Pty Limited (Director) International Rugby Board (Director) International Rugby Development Limited (Director) IRFB Services (Ireland) Limited (Director) Hawkreach Limited (Director) 151 Insurance Limited (Director) Australian Club (Director) Washington H. Soul Pattinson & Company Limited (Director) The London Stock Exchange plc (Non-executive director) The London Stock Exchange Group plc (Non-executive director) Wellbeing of Women (UK) (Trustee) The Wigmore Hall Trust (Non-executive director) Eaton Mansions (Westminster) Limited (Non-executive director) Clariden Leu (Europe) Limited (Non-executive director)
Glyn Barker	Non-executive director	Percuil Limited (Non-executive director) The Berkeley Group Holdings plc (Non-executive director) Irwin Mitchell (Non-executive director) English National Opera (Trustee) Commission on Ownership (Commissioner) Transocean Limited (Non-executive Director)

#### ***Conflicts of Interest***

As set out on page 172 of this Prospectus (in the section entitled “*Directors of the Guarantor*”), Pat Regan and Trevor Matthews are also members of the board of directors of the Guarantor. Whilst the Issuer and the Guarantor do not compete for business, in certain circumstances the interests of the Issuer and the Guarantor may not be aligned. Other than as disclosed in this paragraph, there are no potential conflicts of interest between the duties to the Issuer of the persons listed under “*Directors of the Issuer*” above and their private interests or other duties.

## DESCRIPTION OF THE GUARANTOR

The Guarantor, Aviva Insurance Limited, was established in 1885 as the General Accident & Employers Liability Association, an unincorporated association. The Guarantor was incorporated under the name The General Accident Assurance Corporation Limited as a private company with limited liability in Scotland on 23 February 1891 with registered number SC002116. On 1 October 1999, the Guarantor changed its name to CGU Insurance plc. On 1 September 2006, the Guarantor changed its name to Aviva Insurance Limited.

The Guarantor is an indirect wholly-owned subsidiary of the Issuer and transacts most classes of general insurance business.

The registered office of the Guarantor is Pitheavlis, Perth, Perthshire, PH2 0NH. The telephone number of the Guarantor is +44 (0)20 7283 2000.

### Directors of the Guarantor

The following is a list of directors of the Guarantor and their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Guarantor, as at the date of this document.

<u>Name</u>	<u>Responsibilities in relation to the Guarantor</u>	<u>Other significant directorships</u>
Trevor Matthews <sup>(5)</sup>	Director	Financial Skills Partnership (Chairman) UK Commission for Employment and Skills (Commissioner) Chartered Insurance Institute (Director) Association of British Insurers (Director) International Insurance Society (Director)
Pat Regan <sup>(5)</sup>		
Robin Spencer	Director	—
John Lister	Director	—
Clifford Abrahams	Director	—

The business address of each of the above is St Helen's, 1 Undershaft, London, EC3P 3DQ. The telephone number of the Guarantor is +44 (0)20 7283 2000.

### Conflicts of Interest

As set out on pages 169 to 171 of this Prospectus (in the section entitled "*Directors of the Issuer*"), Pat Regan and Trevor Matthews are also on the board of directors of the Issuer. Whilst the Guarantor and Issuer do not compete for business, in certain circumstances the interests of the Guarantor and the Issuer may not be aligned. Other than as disclosed in this paragraph, there are no potential conflicts of interest between any duties to the Guarantor of the persons listed under "*Directors of the Guarantor*" above and their private interests or other duties.

<sup>5</sup> Pat Regan and Trevor Matthews are also members of the board of directors of the Issuer.

## UNITED KINGDOM TAXATION

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

- (a) To the extent that it does not comprise a premium or discount, a payment of principal, not comprising interest, in respect of any Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.
- (b) Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount will not be made subject to any withholding or deduction for or on account of United Kingdom income tax as long as they do not constitute payments in respect of interest. They may, however, be subject to reporting requirements as outlined in paragraph (j) below.
- (c) Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest and, if so, paragraphs (d) to (i) below (as appropriate) will apply.
- (d) Interest payable on Notes which have a maturity of less than one year and are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more, can be paid without withholding or deduction for or on account of United Kingdom income tax.
- (e) Interest on the Notes (which does not fall within paragraph (d) above) may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.
- (f) In all other cases, interest will generally be paid after deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from H.M. Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty or as to the availability of certain other reliefs.
- (g) If Aviva Insurance Limited, in its capacity as Guarantor under the Guaranteed Notes, makes any payment in respect of interest on the Guaranteed Notes (or any other amounts due under the Guaranteed Notes other than the repayment of amounts subscribed for under the Guaranteed Notes), such payments may be paid after deduction of income tax at the basic rate (currently 20 per cent.), subject to the availability of any relief or exemption.
- (h) If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their listing), Noteholders who are not resident for tax purposes in the United Kingdom might be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

- (i) Interest on the Notes generally has a United Kingdom source and accordingly should remain chargeable to United Kingdom tax by direct assessment even if the interest is paid without withholding or deduction. However, interest will not generally be assessed to United Kingdom tax by direct assessment in the hands of a holder of Notes who is not resident in the United Kingdom, except where such person, in the case of an individual, carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency or, in the case of a body corporate, carries on a trade or vocation in the United Kingdom through a permanent establishment, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent, such as brokers and investment managers) tax may be levied on the United Kingdom branch, agency or permanent establishment.
- (j) Noteholders should note that the provisions relating to additional amounts referred to in the “Terms and Conditions of the Senior Notes” and “Terms and Conditions of the Dated Tier 2 Notes — Taxation” and “Terms and Conditions of the Undated Tier 2 Notes — Taxation” and “Terms and Conditions of the Tier 1 Notes — Taxation” above would not apply if H.M. Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.
- (k) Noteholders who are individuals may wish to note that H.M. Revenue & Customs has power to obtain information (including the name and address of the recipient or beneficial owner of the relevant payment) from any person in the United Kingdom who either pays interest to, or receives interest for the benefit of, an individual. H.M. Revenue & Customs also has power to obtain such information from any person in the United Kingdom who either pays amounts payable on the redemption of Notes which may be redeemed at a certain amount in excess of their issue price to, or receives such amounts for the benefit of, an individual. However, in relation to amounts payable on the redemption of such Notes, H.M. Revenue & Customs published practice indicates that it will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2013. Information so obtained may, in certain circumstances, be exchanged by H.M. Revenue & Customs with the tax authorities of other jurisdictions.
- (l) The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to, or collected by a person for, an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period unless during such period they elect otherwise (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

### **Summary of Dealer Agreement**

Subject to the terms and on the conditions contained in a Dealer Agreement dated 20 November 2012 (the “**Dealer Agreement**”) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling Restrictions**

#### *United States*

Each Dealer has acknowledged, and each further Dealer under the Dealer Agreement will be required to acknowledge that the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes 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 a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Dealer Agreement will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable tranche of which such Notes are a part, as determined, and certified to the Issuer, by the relevant Dealer, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may,

with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

#### ***United Kingdom***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### ***Republic of Italy***

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or distributed, and will not offer, sell or distribute any Notes or any copy of this Prospectus or any other document relating to the Notes in the Republic of Italy (“Italy”) in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of 24 February 1998 (the “Consolidated Financial Services Act”), except:



- (a) to qualified investors (investitori qualificati), pursuant to Article 100 of the Consolidated Financial Services Act and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “CONSOB Regulation”), all as amended, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or Regulation 11971. Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:
  - (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and the relevant implementing instructions of the Bank of Italy (Instruzioni di Vigilanza per le Banche della Banca d’Italia), the Consolidated Financial Services Act and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
  - (b) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
  - (c) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by, *inter alia*, CONSOB or the Bank of Italy.

Any investor purchasing the Notes will be solely responsible for ensuring that any offer or resale of the Notes it purchased occurs in compliance with any applicable laws and regulations. This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this Prospectus may rely on it or its contents. In any event the Notes shall not be offered or sold to any individuals in Italy either in the primary or secondary market.

#### *Australia*

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) (“**Corporations Act**”) in relation to the Instruments has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”).

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Instruments in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offeror invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;
- (ii) such action complies with all applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);
- (iii) such action does not require any document to be lodged with ASIC; and
- (iv) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act.

### **Switzerland**

Each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

### **Japan**

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

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”).

Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may

the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

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

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

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

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

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

**General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No action has been or will be taken in any country or any jurisdiction by the Dealers or the Issuer or the Guarantor that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering or publicity material relating to any of the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed that it shall comply (to the best of its knowledge and belief, having made reasonable enquiries) with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers any of the Notes or has in its possession or distributes the Prospectus or any such other material relating to any of the Notes, in all cases at its own expense. Each Dealer has also undertaken to ensure that no obligations are imposed on the Issuer, the Guarantor or any other Dealer in any such jurisdiction as a result of any of the foregoing actions. The Issuer, the Guarantor and the other Dealers will have no responsibility for, and each Dealer has agreed to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of any of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Dealer has been authorised to make any representation or use any information in connection with the issue, subscription and sale of any of the Notes other than as contained or incorporated by reference in this Prospectus or any amendment or supplement to it.

## FORM OF FINAL TERMS FOR SENIOR NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]  
Aviva plc  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme  
[Guaranteed, in respect of Senior Notes only, by Aviva Insurance Limited]

### PART A — CONTRACTUAL TERMS FOR SENIOR NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the “Conditions”) set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

1	(i) Issuer:	Aviva plc
	(ii) Guarantee	[Not Applicable/Guaranteed by Aviva Insurance Limited]
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
3	<b>Specified Currency or Currencies:</b>	[●]
4	<b>Aggregate Nominal Amount of Notes admitted to trading:</b>	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	<b>Issue Price:</b>	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[●]
8	<b>Maturity Date:</b>	[[●]/The Interest Payment Date falling in or nearest to [●]]
9	<b>Interest Basis:</b>	[[●]% Fixed Rate/[●] month [LIBOR/EURIBOR] +/- [●]% Floating Rate/Zero Coupon]
10	<b>Change of Interest Basis</b>	[●]
11	<b>Redemption Basis</b>	[Redemption at par]

- 12 **Put/Call Options:** [Investor Put]  
[Issuer Call]
- 13 (i) Status of the Notes: Senior
- (ii) [Date [Board] approval for issuance of Notes obtained: [[●]/Not Applicable, save as discussed in Section 2 of the “General Information” section in the Base Prospectus]

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

- 14 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Rate[s] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with paragraph 14(vii)/not adjusted]
- (iii) Fixed Coupon Amount[s]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [“Actual/Actual”/“Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual/ 360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]
- (vi) Determination Dates: [●] in each year
- (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- 15 **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Additional Business Centre(s): [●]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [●]
- (vii) Screen Rate Determination: [Offered quotation/Arithmetic mean of offered quotations]
- Reference Rate: [●] month [LIBOR/EURIBOR]
- Interest Determination Date(s): [●]
- Relevant Screen Page: [●]
- (viii) ISDA Determination:
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (ix) Margin(s): [+/-][●] per cent. per annum

- (x) Minimum Rate of Interest: [●] per cent. per annum  
 (xi) Maximum Rate of Interest: [●] per cent. per annum  
 (xii) Day Count Fraction: ["Actual/Actual"/ "Actual/Actual — ISDA"/  
 "Actual/365 (Fixed)"/"Actual/360"/"30/360"/"360/  
 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/  
 "30E/360 (ISDA)"/"Actual/Actual — ICMA"]
- 16 **Zero Coupon Note Provisions:** [Applicable/Not Applicable]  
 (i) Amortisation Yield: [●] per cent. per annum  
 (ii) Day Count Fraction: ["Actual/Actual"/"Actual/Actual — ISDA"/  
 "Actual/365 (Fixed)"/"Actual/ 360"/"30/360"/"360/  
 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/  
 "30E/360 (ISDA)"/"Actual/Actual — ICMA"]

**PROVISIONS RELATING TO REDEMPTION**

- 17 **Call Option:** [Applicable/Not Applicable]  
 (i) Optional Redemption Date(s): [●]  
 (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount  
 (iii) If redeemable in part:  
 (a) Minimum Redemption Amount: [●] per Calculation Amount  
 (b) Maximum Redemption Amount: [●] per Calculation Amount  
 (iv) Notice period: [●]
- 18 **Put Option:** [Applicable/Not Applicable]  
 (i) Optional Redemption Date(s): [●]  
 (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount  
 (iii) Notice period: [●]
- 19 **Early Redemption Amount**  
 Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 20 **Form of Notes:** **[Bearer Notes:**  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
**[Registered Notes:**  
 [Regulation S Global Note (U.S.\$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is,

held under the NSS)].

[Rule 144A Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]].

- 21 **New Global Note (Bearer Notes):** [Yes] [No]
- 22 **Global Certificates (Registered Notes):** [Yes] [No]
- 23 **New Safekeeping Structure (Registered Notes):** [Yes] [No]
- 24 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/[●]]
- 25 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

**DISTRIBUTION**

- 26 **U.S. selling restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
- 27 **Additional selling restrictions:** [Not Applicable]

**RESPONSIBILITY**

[[●] has been extracted from [●]. [Each of] The Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised

[Signed on behalf of the Guarantor:

By: \_\_\_\_\_  
Duly authorised]

---

## PART B — OTHER INFORMATION

### 1 LISTING

- Listing: [London//None]
- (i) Admission to trading: [Application has been made for the Notes to be admitted to trading on  with effect from .]  
[Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading:

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P:   
[Moody's:

### 3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer and use of proceeds:
- (ii) Estimated net proceeds:
- (iii) Estimated total expenses:

### 4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

/“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

### 5 [Fixed Rate Notes only — YIELD

- Indication of yield:
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 7 OPERATIONAL INFORMATION

- ISIN Code:
- Common Code:
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/
- Names and addresses of additional Paying Agent(s) (if any):



## FORM OF FINAL TERMS FOR DATED TIER 2 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]  
Aviva plc  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme

### PART A — CONTRACTUAL TERMS FOR DATED TIER 2 NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Dated Tier 2 Notes (the “Conditions”) set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Dated Tier 2 Notes (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

- |   |   |   |
|---|---|---|
| 1 | <b>Issuer:</b>  | Aviva plc   |
| 2 | (i) Series Number:  | [●]   |
|   | (ii) Tranche Number:  | [●]   |
| 3 | <b>Specified Currency or Currencies:</b>                      | [●]   |
| 4 | <b>Aggregate Nominal Amount of Notes admitted to trading:</b> | [●]   |
|   | (i) Series:   | [●]   |
|   | (ii) Tranche:   | [●]   |
| 5 | <b>Issue Price:</b>   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]  |
| 6 | (i) Specified Denominations:                                  | [[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]] |
|   | (ii) Calculation Amount (Definitive Notes only):              | [●]   |

- 7 (i) Issue Date: [●]  
(ii) Interest Commencement Date [●]
- 8 **Maturity Date:** [[●]/The Interest Payment Date falling in or nearest to [●]]
- 9 **Interest Basis:** [[●]% Fixed Rate]  
[[●] month [LIBOR/EURIBOR] +/-[●]% Floating Rate]
- 10 **Redemption Basis:** [Redemption at par]
- 11 **Change of Interest Basis:** [●]
- 12 **Put/Call Options:**  
[Issuer Call]
- 13 (i) Status of the Notes: Dated Tier 2  
(ii) [Date [Board] approval for issuance of Notes obtained: [[●]/Not Applicable, save as discussed in Section 2 of the “General Information” section in the Base Prospectus]

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

- 14 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with paragraph 14(vii)/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [“Actual/Actual”/“Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]
- (vi) Determination Dates: [●] in each year
- (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- 15 **Reset Note Provisions:** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) First Margin: [+/-][●] per cent. per annum
- (iii) Second Margin: [+/-][●] per cent. per annum
- (iv) Interest Payment Date(s): [●] in each year [adjusted in accordance with paragraph 15(xiv)/not adjusted]
- (v) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (vi) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (vii) First Reset Note Reset Date: [●]

(viii) Second Reset Note Reset Date:	[[●]/Not Applicable]
(ix) Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter [adjusted in accordance with paragraph 15(xiv)]]
(x) Mid-Market Swap Rate:	[●]
(xi) ISDAFIX Rate:	["ISDAFIX1"/"ISDAFIX2"/"ISDAFIX3"/ "ISDAFIX4"/"ISDAFIX5"/"ISDAFIX6"]
(xii) Day Count Fraction:	[["Actual/Actual" "Actual/Actual — ISDA"/ "Actual/365 (Fixed)"/"Actual 360"/"30/360"/"360/ 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual — ICMA"]]
(xiii) Determination Dates:	[●] in each year
(xiv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
<b>16 Floating Rate Note Provisions:</b>	[Applicable/Not Applicable]
(i) Interest Period(s):	[●]
(ii) Interest Payment Dates:	[●]
(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iv) Additional Business Centre(s):	[●]
(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
(vii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
– Reference Rate:	[●] month [LIBOR/EURIBOR]
– Interest Determination Date(s):	[●]
– Relevant Screen Page:	[●]
(viii) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(ix) Margin(s):	[+/-][●] per cent. per annum
(x) Minimum Rate of Interest:	[●] per cent. per annum
(xi) Maximum Rate of Interest:	[●] per cent. per annum
(xii) Day Count Fraction:	["Actual/Actual" "Actual/Actual — ISDA"/ "Actual/365 (Fixed)"/"Actual 360"/"30/360"/"360/ 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual — ICMA"]]

**PROVISIONS RELATING TO REDEMPTION**

<b>17 Right to Extend Maturity Date:</b>	[Applicable/Not Applicable] [The Extended Maturity Date is [●].]
--	--

- 18 **Call Option:** [Applicable/Not Applicable]  
 (i) Optional Redemption Date(s): [●]  
 (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount  
 (iii) If redeemable in part:  
     (a) Minimum Redemption Amount: [●] per Calculation Amount  
     (b) Maximum Redemption Amount: [●] per Calculation Amount  
 (iv) Notice period: [●]  
 19 **Capital Disqualification Call:** [Applicable/Not Applicable]  
 20 **Rating Methodology Call:** [Applicable/Not Applicable]  
 21 **Final Redemption Amount of each Note:** [●] per Calculation Amount  
 22 **Special Redemption Price:**  
 (i) in respect of a Capital Disqualification Event redemption: [●] per Calculation Amount  
 (ii) in respect of a Rating Methodology Event redemption: [●] per Calculation Amount  
 23 **Unmatured Coupons to become void upon Early Redemption:** [Yes/No/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 24 **Form of Notes:** **[Bearer Notes:**  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]  
**[Registered Notes:**  
 [Regulation S Global Note (U.S.\$/€ [●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]  
 [Rule 144A Global Note (U.S.\$ [●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]]  
 25 **Global Certificates (Registered Notes):** [Yes] [No]  
 26 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/ [●]]  
 27 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

**DISTRIBUTION**

- 28 **U.S. selling restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
- 29 **Additional selling restrictions:** [Not Applicable]

**RESPONSIBILITY**

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading].

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

---

## PART B — OTHER INFORMATION

### 1 LISTING

- (i) Listing: [London/[●]/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]  
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P: [●]]  
[Moody's: [●]]

### 3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer and use of proceeds: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

### 4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[●]]“Save as discussed in [“Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

### 5 [Fixed Rate Notes only — YIELD

- Indication of yield: [●]  
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 6 OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

## FORM OF FINAL TERMS FOR UNDATED TIER 2 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]  
Aviva plc  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme

### PART A — CONTRACTUAL TERMS FOR UNDATED TIER 2 NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Undated Tier 2 Notes (the “Conditions”) set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Undated Tier 2 Notes (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

- |   |   |  |
|---|---|--|
| 1 | <b>Issuer:</b>  | Aviva plc  |
| 2 | (i) Series Number:  | [●]  |
|   | (ii) Tranche Number:  | [●]  |
| 3 | <b>Specified Currency or Currencies:</b>                      | [●]  |
| 4 | <b>Aggregate Nominal Amount of Notes admitted to trading:</b> | [●]  |
|   | (i) Series:   | [●]  |
|   | (ii) Tranche:   | [●]  |
| 5 | <b>Issue Price:</b>   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]   |
| 6 | (i) Specified Denominations:                                  | [[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]] |
|   | (ii) Calculation Amount (Definitive Notes only):              | [●]  |

- 7 (i) Issue Date:
- (ii) Interest Commencement Date:
- 8 **Interest Basis:** % Fixed Rate  
 month [LIBOR/EURIBOR] +/-% Floating Rate]
- 9 **Change of Interest Basis:**
- 10 **Put/Call Options:** [Issuer Call]
- 11 (i) Status of the Notes: Undated Tier 2 [Option A/B]
- (ii) [Date [Board] approval for issuance of Notes obtained: /Not Applicable, save as discussed in Section 2 of the “General Information” section in the Base Prospectus]
- 12 Dividend Stopper: [Applicable/Not Applicable]

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

- 13 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Rate[s] of Interest:  per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s):  in each year [adjusted in accordance with paragraph 13(vii)/not adjusted]
- (iii) Fixed Coupon Amount[s]:  per Calculation Amount
- (iv) Broken Amount(s):  per Calculation Amount payable on the Interest Payment Date falling [in/on]
- (v) Day Count Fraction: [“Actual/Actual”/“Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]
- (vi) Determination Dates:  in each year
- (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- 14 **Reset Note Provisions:** [Applicable/Not Applicable]
- (i) Initial Rate of Interest:  per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) First Margin: [+/-] per cent. per annum
- (iii) Second Margin: [+/-] per cent. per annum
- (iv) Interest Payment Date(s):  in each year [adjusted in accordance with paragraph 14(xiv)/not adjusted]
- (v) Fixed Coupon Amount[s]:  per Calculation Amount
- (vi) Broken Amount(s):  per Calculation Amount payable on the Interest Payment Date falling [in/on]
- (vii) First Reset Note Reset Date:
- (viii) Second Reset Note Reset Date:
- (ix) Anniversary Date(s):  [and each corresponding day and month falling  years thereafter [adjusted in accordance with paragraph 14(xiv)]]
- (x) Mid-Market Swap Rate:



(xi) ISDAFIX Rate:	[“ISDAFIX1”/“ISDAFIX2”/“ISDAFIX3”/“ISDAFIX4”/“ISDAFIX5”/“ISDAFIX6”]
(xii) Day Count Fraction:	[“Actual/Actual” “Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual 360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]
(xiii) Determination Dates:	[●] in each year
(xiv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
<b>15 Floating Rate Note Provisions:</b>	[Applicable/Not Applicable]
(i) Interest Period(s):	[●]
(ii) Interest Payment Dates:	[●]
(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iv) Additional Business Centre(s):	[●]
(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
(vii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
– Reference Rate:	[●] month [LIBOR/EURIBOR]
– Interest Determination Date(s):	[●]
– Relevant Screen Page:	[●]
(viii) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(ix) Margin(s):	[+/-][●] per cent. per annum
(x) Minimum Rate of Interest:	[●] per cent. per annum
(xi) Maximum Rate of Interest:	[●] per cent. per annum
(xii) Day Count Fraction:	[“Actual/Actual” Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual 360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]

**PROVISIONS RELATING TO REDEMPTION**

<b>16 Call Option:</b>	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 17 **Capital Disqualification Call:** [Applicable/Not Applicable]
- 18 **Rating Methodology Call:** [Applicable/Not Applicable]
- 19 **Special Redemption Price:**
- (i) in respect of a Capital Disqualification Event redemption: [●] per Calculation Amount
- (ii) in respect of a Rating Methodology Event redemption: [●] per Calculation Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 20 **Form of Notes:** **[Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes]:**
- [Regulation S Global Note (U.S.\$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]
- [Rule 144A Global Note (U.S.\$ [●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]
- 21 **Global Certificates (Registered Notes):** [Yes] [No]
- 22 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/[●]]
- 23 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes] [No] [As the notes have more than 27 Coupons, Talons will be attached.]

**DISTRIBUTION**

- 24 **U.S. selling restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
- 25 **Additional selling restrictions:** [Not Applicable]

**RESPONSIBILITY**

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading].

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

---

**PART B — OTHER INFORMATION**

**1 LISTING**

- (i) Listing: [London/[●]/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]  
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

**2 RATINGS**

- Ratings The Notes to be issued have been rated:  
[S&P: [●]]  
[Moody's: [●]]

**3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the offer and use of proceeds: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

**4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

[[●]]/“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

**5 [Fixed Rate Notes only — YIELD**

- Indication of yield: [●]  
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

**6 OPERATIONAL INFORMATION**

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

## FORM OF FINAL TERMS FOR TIER 1 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]  
Aviva plc  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 1 Notes (the “Conditions”) set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 1 Notes (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

- |   |   |  |
|---|---|--|
| 1 | <b>Issuer:</b>  | Aviva plc  |
| 2 | (i) Series Number:  | [●]  |
|   | (ii) Tranche Number:  | [●]  |
| 3 | <b>Specified Currency or Currencies:</b>                      | [●]  |
| 4 | <b>Aggregate Nominal Amount of Notes admitted to trading:</b> | [●]  |
|   | (i) Series:   | [●]  |
|   | (ii) Tranche:   | [●]  |
| 5 | <b>Issue Price:</b>   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]   |
| 6 | (i) Specified Denominations:                                  | [[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]] |
|   | (ii) Calculation Amount (Definitive Notes only):              | [●]  |

- 7 (i) Issue Date:
- (ii) Interest Commencement Date:
- 8 **Interest Basis:** % Fixed Rate  
 month [LIBOR/EURIBOR] +/-% Floating Rate
- 9 **Change of Interest Basis:**
- 10 **Put/Call Options:**   
[Issuer Call]
- 11 (i) Status of the Notes: Tier 1 [Option A/B]  
(ii) [Date [Board] approval for issuance of Notes obtained: /Not Applicable, save as discussed in Section 2 of the “General Information” Section in the Base Prospectus]

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

- 12 **Fixed Rate Note Provisions:** Applicable/Not Applicable
- (i) Rate(s) of Interest:  per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s):  in each year [adjusted in accordance with paragraph 12(vii)/not adjusted]
- (iii) Fixed Coupon Amount(s):  per Calculation Amount
- (iv) Broken Amount(s):  per Calculation Amount payable on the Interest Payment Date falling [in/on]
- (v) Day Count Fraction: “Actual Actual”/“Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]
- (vi) Determination Dates:  in each year
- (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- 13 **Floating Rate Note Provisions:** Applicable/Not Applicable
- (i) Interest Period(s):
- (ii) Interest Payment Dates:
- (iii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Additional Business Centre(s):
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):
- (vii) Screen Rate Determination: [Offered quotation/Arithmetic mean of offered quotations]
- Reference Rate:  month [LIBOR/EURIBOR]
- Interest Determination Date(s):
- Relevant Screen Page:

- (viii) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (ix) Margin(s):  +/-  per cent. per annum
- (x) Minimum Rate of Interest:  per cent. per annum
- (xi) Maximum Rate of Interest:  per cent. per annum
- (xii) Day Count Fraction:  “Actual/Actual”/“Actual/Actual — ISDA”/“Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/“30E/360 (ISDA)”/“Actual/Actual — ICMA”]

**PROVISIONS RELATING TO REDEMPTION**

- 14 **Call Option**  [Applicable/Not Applicable]
- (i) Optional Redemption Date(s):
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):  per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount:  per Calculation Amount
    - (b) Maximum Redemption Amount:  per Calculation Amount
  - (iv) Notice period:
- 15 **Capital Disqualification Call:**  [Applicable/Not Applicable]
- 16 **Capital Disqualification Redemption Price:**  per Calculation Amount
- 17 **Suspension Redemption Price:**  per Calculation Amount
- 18 **Substitution Preference Share Early Redemption Date:**
- 19 **Substitution Preference Shares dividend Step-up:**  [Yes/No]
- 20 **Replacement Capital Covenant:**  [Yes/No]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 21 **Form of Notes:** **[Bearer Notes:**  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on  days’ notice]\*  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes:**  
 [Regulation S Global Note (U.S.\$/€  nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]

- [Rule 144A Global Note (U.S.\$ [●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]
- 22 **Global Certificates (Registered Notes):** [Yes][No]
- 23 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/[●]]
- 24 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes] [No] [As the notes have more than 27 Coupons, Talons will be attached.]
- 25 **AISM Calculation Agent (if any) appointed on date of issue:** [Not Applicable/[●]]

**DISTRIBUTION**

- 26 **U.S. Selling Restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
- 27 **Additional selling restrictions:** [Not Applicable]

**RESPONSIBILITY**

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading].

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised



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## PART B — OTHER INFORMATION

### 1 LISTING

- (i) Listing: [London//None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on  with effect from .]  
[Not applicable.]
- (iii) Estimate of total expenses related to admission to trading:

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P: ]  
[Moody's: ]

### 3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer and use of proceeds:
- (ii) Estimated net proceeds:
- (iii) Estimated total expenses:

### 4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

/“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

### 5 [Fixed Rate Notes only — YIELD

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

### 6 OPERATIONAL INFORMATION

- ISIN Code:
- Common Code:
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/]
- Names and addresses of additional Paying Agent(s) (if any):

## GENERAL INFORMATION

- (1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The acceptance of the Programme on the Official List in respect of Notes issued under the Programme for a period of 12 months from the date of this Prospectus is expected to be granted on or around 22 November 2012. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.
- (2) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme and the Guarantee. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 9 November 2005 and the update of the Programme was authorised by a resolution of a committee of the Board of Directors of the Issuer passed on 26 October 2012, such committee of the Board of Directors, having been constituted in accordance with a meeting of the Board of Directors of the Issuer held on 7 November 2007. The giving of the Guarantee by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 26 October 2012.
- (3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2012, being the end of the last financial period for which interim financial information has been published, and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2011, being the date to which the last published audited financial statements of the Issuer were made up.
- (4) There has been no significant change in the financial or trading position of the Guarantor since 31 December 2011, being the date to which the last published audited financial statements of the Guarantor were made up, and no material adverse change in the financial position or prospects of the Guarantor since 31 December 2011.
- (5) There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.
- (6) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: *“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”*.
- (7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. Unless otherwise stated in the relevant Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (9) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of each of the Paying Agents:

- 
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - (ii) the Dealer Agreement;
  - (iii) the Agency Agreement;
  - (iv) the Issuer/ICSD Agreement dated 7 November 2011 in respect of the Programme;
  - (v) any AISM Calculation Agency Agreement;
  - (vi) the Memorandum and Articles of Association of the Issuer and the Guarantor;
  - (vii) the published Annual Report and Accounts of the Issuer in respect of each of the financial years ended 31 December 2010 and 31 December 2011 and the unaudited interim consolidated financial statements of the Issuer in respect of the six months ended 30 June 2012;
  - (viii) the published Annual Report and Accounts of the Guarantor in respect of each of the financial years ended 31 December 2010 and 31 December 2011;
  - (ix) each set of Final Terms for Notes that are listed on the Official List and admitted to trading on the Market or any other stock exchange;
  - (x) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus and any documents incorporated by reference into this Prospectus or any Supplement to this Prospectus;
  - (xi) a copy of any subscription agreement relating to Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market; and
  - (xii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's or the Guarantor's request and any part of which is included or referred to in this Prospectus.
- (10) The annual accounts of the Issuer for the last two financial years have been audited. The consolidated accounts of the Issuer for the years ended 31 December 2010 and 31 December 2011 were audited by Ernst & Young LLP, Registered Auditor (authorised and regulated by the FSA for designated investment business), the auditor previously appointed by the Issuer for the purposes of auditing its consolidated accounts, in accordance with auditing standards and have been reported on without qualification. The reports prepared by Ernst & Young LLP for the Issuer for the years ended 31 December 2010 and 2011 contained the following statement: *“This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 to the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.”* The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF, United Kingdom.
- (11) The consolidated accounts of the Issuer audited by Ernst & Young LLP for the years ended 31 December 2010 and 31 December 2011 which are incorporated into this document by reference do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the “Act”). Statutory accounts for such years have been delivered to the Registrar of Companies in England and Wales. Ernst & Young LLP have made a report under Section 495 of the Act on the last statutory accounts that was not qualified within the meaning of Section 539 of the Act and did not contain a statement made under Section 498(2) or Section 498(3) of the Act.
- (12) The annual accounts of the Guarantor for the last two financial years have been audited. The non-consolidated accounts of the Guarantor for the year ended 31 December 2010 and the non-consolidated accounts of the Guarantor for the year ended 31 December 2011 were audited by Ernst & Young LLP, Registered Auditor (authorised and regulated by the FSA for designated investment business), the auditor previously appointed by the Guarantor for the purposes of auditing its non-consolidated accounts, in accordance with auditing standards and have been reported on without qualification. The reports prepared by Ernst & Young LLP for the

Guarantor for the years ended 31 December 2010 and 2011 contained the following statement: *“This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 to the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.”* The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF, United Kingdom.

- (13) The non-consolidated accounts of the Guarantor for the year ended 31 December 2010 and the non-consolidated accounts of the Guarantor for the year ended 31 December 2011 which are incorporated into this document by reference do not constitute statutory accounts within the meaning of Section 434 of the Act. Statutory accounts for such years have been delivered to the Registrar of Companies in Scotland. Ernst & Young LLP have made a report under Section 495 of the Act on the last statutory accounts that was not qualified within the meaning of Section 539 of the Act and did not contain a statement made under Section 498(2) or Section 498(3) of the Act.
- (14) The relevant Final Terms issued in respect of each issue of Tier 1 Notes will state whether the Issuer intends to enter into a replacement capital covenant with respect to such Series. It is anticipated that the terms of such replacement capital covenant will provide that the Issuer will not redeem or repurchase any Notes of the relevant Series of Tier 1 Notes, and will not permit any subsidiary to purchase any Notes of the relevant Series of Tier 1 Notes, unless and to the extent the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a specified percentage of such net proceeds) received by the Issuer or its subsidiaries, during the six months prior to such redemption, repurchase or purchase date, from new issuances of qualifying securities and that the covenant will terminate on the redemption of the relevant Tier 1 Notes if not terminated earlier in accordance with its terms. The replacement capital covenant will continue to be effective following any substitution or variation of the relevant Tier 1 Notes in accordance with their terms.
- (15) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer, the Guarantor and/or their affiliates in the ordinary course of business.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

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1 Undershaft  
London EC3P 3DQ  
United Kingdom

**REGISTERED AND HEAD OFFICE OF THE GUARANTOR OF THE GUARANTEED NOTES**

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Pitheavlis  
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Perthshire  
PH2 0NH  
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**ARRANGER**

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Canada Square  
London E14 5LB  
United Kingdom

**DEALERS**

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5 The North Colonnade  
Canary Wharf  
London E14 4BB  
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**Citigroup Global Markets Limited**  
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London EC2N 2DB  
United Kingdom

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

**HSBC Bank plc**  
8 Canada Square  
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**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
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**Société Générale**  
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75009 Paris  
France

**The Royal Bank of Scotland plc**  
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United Kingdom

**TRUSTEE**

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

**ISSUING AND PAYING AGENT, REGISTRAR AND PAYING AND TRANSFER AGENT**

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United Kingdom

**AUDITORS**

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**LEGAL ADVISERS**

*to the Issuer and the Guarantor of the*

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*to the Dealers and the Trustee*

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United Kingdom

