OFFERING MEMORANDUM DATED 10 JUNE 2024

Phoenix Group Holdings plc

(incorporated under the laws of England and Wales with company number 11606773)

U.S.$500,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes

Issue Price: 100 per cent.

The issue of U.S.$500,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**") was (save in respect of any further Notes issued pursuant to Condition 17) authorised by a resolution of the board of directors of Phoenix Group Holdings plc (the "**Issuer**") passed on 22 November 2023. The Notes will be issued by the Issuer on 12 June 2024 (the "**Issue Date**"). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer. The terms and conditions of the Notes are set out more fully in "*Terms and Conditions of the Notes*" (the "**Conditions**").

The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 12 June 2030 (the "**First Reset Date**") at a fixed rate of 8.500 per cent. per annum and thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each, a "**Reset Date**" as provided in the Conditions). Interest will be payable on the Notes semi-annually in arrear on 12 June and 12 December (each, an "**Interest Payment Date**") in each year commencing on 12 December 2024, subject to cancellation as provided below and as further described in the Conditions.

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

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

The Notes will be perpetual securities with no fixed redemption date. The Issuer shall only have the right to redeem or purchase the Notes in accordance with the Conditions. Holders of the Notes ("Noteholders") will have no right to require the Issuer to redeem or purchase the Notes at any time.

UPON THE OCCURRENCE OF A TRIGGER EVENT THE ISSUER'S OBLIGATIONS IN RELATION TO EACH NOTE WILL (UNLESS THE UK PRUDENTIAL REGULATION AUTHORITY ("PRA") WAIVES AUTOMATIC CONVERSION IN RESPECT OF SUCH TRIGGER EVENT) BE PERMANENTLY AND AUTOMATICALLY RELEASED AND CONVERSION SHARES WILL BE ISSUED.

Application will be made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to the London Stock Exchange's International Securities Market ("**ISM**"). References in this Offering Memorandum to Notes being "admitted to trading" (and all related references) shall mean that such Notes will be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**").

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority ("FCA"). The London Stock Exchange has not approved or verified the contents of this Offering Memorandum.

This Offering Memorandum does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") and, in accordance with the UK Prospectus Regulation, no prospectus is required in connection with the listing of the Notes.

The Notes have been assigned a rating of BBB+ by Fitch Ratings Limited ("**Fitch**"). Fitch is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Fitch is not established in the European Union (the "**EU**") and has not applied for registration under Regulation (EU) No. 1060/2009 (the "**EU CRA Regulation**") but the rating it has given to the Notes is endorsed by Fitch Ratings Ireland Limited which is established in the EU and registered under the EU CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued in registered form in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be represented by a global certificate (the "**Global Certificate**") registered in the name of a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Individual certificates ("**Certificates**") evidencing holdings of Notes will be available only in certain limited circumstances described under "*Summary of Provisions relating to the Notes whilst in Global Form*".

Potential investors should read the whole of this Offering Memorandum, in particular the section entitled "Risk Factors" set out on pages 18 to 59.

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients, as defined in Directive 2014/65/EU (as amended, "MiFID II") and UK MiFIR. Prospective investors are referred to the section headed "*Prohibition on marketing and sales of Notes to EEA retail investors*" and "*Prohibition on marketing and sales of Notes to UK retail investors*" of this Offering Memorandum for further information.

Joint Lead Managers

BNP PARIBAS	**Citigroup**
Crédit Agricole CIB	**HSBC**
J.P. Morgan Cazenove	**Mizuho**

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and the Offering Memorandum makes no omission likely to affect the import of such information.

This Offering Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*").

No person has been authorised to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue, sale, listing and admission to trading of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc and Mizuho International plc acting as joint lead managers (the "**Joint Lead Managers**"). Neither the delivery of this Offering Memorandum nor the issue, sale, listing and admission to trading of the Notes in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented.

Save for the Issuer, no other person has separately verified the information contained herein. To the fullest extent permitted by law, neither the Joint Lead Managers nor Citibank, N.A., London Branch (the "**Trustee**") accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by the Trustee or a Joint Lead Manager or on its behalf in connection with the Issuer or the issue, sale, listing and admission to trading of the Notes. The Trustee and each Joint Lead Manager 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 Offering Memorandum or any such statement. Neither this Offering Memorandum nor any other information supplied in connection with 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 Trustee or the Joint Lead Managers that any reader of this Offering Memorandum or any other information supplied in connection with the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum or any other information supplied in connection with the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Trustee nor the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers or Trustee.

Prohibition on marketing and sales to retail investors

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

2.

   a) In the UK, the FCA Conduct of Business Sourcebook ("**COBS**") requires, in summary, that certain securities with characteristics similar to the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.

In addition, in October 2018, the Hong Kong Monetary Authority issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss-absorption features (such as the Notes) and related products (the "**HKMA Circular**"). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments, are to be targeted in Hong Kong at professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any subsidiary legislations or rules made under the SFO, "**Professional Investors**") only and are generally not suitable for retail investors in either the primary or secondary markets.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in the Offering Memorandum (or any beneficial interests therein), including COBS and the HKMA Circular.

Investors in Hong Kong should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are generally not suitable for retail investors.

b) Certain of the Joint Lead Managers are required to comply with COBS (as if COBS 22.3 applies to the Notes) and/or the HKMA Circular.

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

i) it is not a retail client in the UK;

ii) if it is in Hong Kong, it is a Professional Investor; and

iii) whether or not it is subject to COBS or the HKMA Circular, it will not:

1. sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or retail investors in Hong Kong; or

2. communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK or any customer in Hong Kong who is not a Professional Investor.

d) In selling or offering the Notes or making or approving communications, invitations or inducements relating to the Notes it may not rely on the limited exemptions set out in COBS (as if COBS 22.3 applies to the Notes).

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area (the "**EEA**"), the UK or Hong Kong) relating to the promotion, offering, distribution and/or sale of Notes (or any beneficial interests therein), whether or not specifically mentioned in this document, including (without limitation) any requirements under MiFID II, UK MiFIR, the UK FCA Handbook, the HKMA Circular or any other applicable laws, regulations and regulatory guidance relating to

determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

4. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers (acting as Joint Lead Managers), the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Prohibition on marketing and sales of Notes to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the Regulation (EU) 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition on marketing and sales of Notes to UK retail investors

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II Product governance / Professional investors and ECPs only target market

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR Product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. A distributor (as defined above) should take into consideration the manufacturers' target market assessment. However, a distributor subject to the FCA

Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notification under Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all persons, including all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Restrictions on marketing and sales in the United States and to U.S. persons

The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Offering Memorandum, see "*Subscription and Sale*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

Notice to prospective investors in Canada

This Offering Memorandum constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Offering Memorandum or on the merits of the Notes and any representation to the contrary is an offence.

Securities legislation in certain provinces or territories of Canada may provide Canadian investors with remedies for rescission or damages if an "offering memorandum" such as this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

The offer and sale of the Notes in Canada is being made on a private placement basis only and is exempt from the requirement that the Issuer prepares and files a prospectus under applicable Canadian securities laws. The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 *Registration*

Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

General restrictions on marketing and sales

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for, or purchase, any Notes.

Stabilisation

In connection with the issue of the Notes, the Joint Lead Manager(s) (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 at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

IMPORTANT INFORMATION

Cautionary note regarding forward-looking statements

This Offering Memorandum includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", "should", "aims", "seeks", "targets" or "continues or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include, but are not limited to, statements regarding the intentions of the Issuer and its consolidated subsidiaries (the "**Group**"), beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if the Group's results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- domestic and global economic, political, social, environmental and business conditions;
- asset prices;
- market-related risks such as fluctuations in investment yields, interest rates and exchange rates, the potential for a sustained low-interest rate or high-interest rate environment, and the performance of financial or credit markets generally;
- the policies and actions of governmental and/or regulatory authorities including, for example, climate change and the effect of the UK's version of the 'Solvency II' regulations on the Group's capital maintenance requirements;
- developments in the UK's relationship with the European Union;
- the direct and indirect consequences for European and global macroeconomic conditions of the conflicts in Ukraine and the Middle East, and related or other geopolitical conflicts;
- political uncertainty and instability;
- the impact of changing inflation rates (including high inflation) and/or deflation;
- information technology or data security breaches (including the Group being subject to cyberattacks);
- the development of standards and interpretations including evolving practices in Environmental, Social and Governance ("**ESG**") and climate reporting with regard to the interpretation and application of accounting;
- the limitation of climate scenario analysis and the models that analyse them;

- lack of transparency and comparability of climate-related forward-looking methodologies;
- climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets);
- the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively;
- market competition;
- changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates);
- the timing, impact and other uncertainties of any acquisitions, disposals or other strategic transactions;
- risks associated with arrangements with third parties;
- inability of reinsurers to meet obligations or unavailability of reinsurance coverage;
- the impact of changes in capital, and implementing changes in any regulatory, solvency and/or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate; and
- other factors discussed in the section of this document headed "*Risk Factors*".

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Offering Memorandum reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Offering Memorandum, which could cause actual results to differ, before making an investment decision. Subject to any obligations under admission to trading rules of the ISM (as amended from time to time), the Issuer undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Offering Memorandum that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of this Offering Memorandum.

Presentation of financial information

The financial information in this Offering Memorandum, unless otherwise stated, has been extracted without material adjustment from (i) the Group's Annual Report and Accounts for the year ended 31 December 2023; and (ii) the Group's Annual Report and Accounts for the year ended 31 December 2022. Where information has been extracted from the consolidated historical financial information of the Group, the information is audited unless otherwise stated.

Unless otherwise indicated, financial information for the Group in this Offering Memorandum and the information incorporated by reference into this Offering Memorandum is presented in pounds sterling and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board or international accounting standards which are adopted for use within the UK ("**UK-IAS**").

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

accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

References to "**Solvency II**" in this Offering Memorandum are to the UK transposition of Directive (Solvency II) (2009/138/EC) and Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) as amended by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019, as they each form part of domestic law by virtue of the EUWA, as amended from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise).

Presentation of certain key performance indicators and targets

Certain key performance indicators and targets referred to in this Offering Memorandum are unaudited non-generally accepted accounting principles measures that are used by the Group, including those described below:

- ***Assets Under Administration***: The Group's assets under administration represent assets administered by or on behalf of the Group, covering both policyholder fund and shareholder assets held within the Operating Life Companies (as defined below). They include assets recognised in the Group's IFRS consolidated statement of financial position together with certain assets administered by the Group for which beneficial ownership resides with customers.

- ***Total Cash Generation***: Cash remitted by the Group's operating companies to the Group's holding companies.

- ***Solvency II Own Funds ("Own Funds")***: Own Funds are the aggregate of "basic Own Funds" (assets an insurer has on its balance sheet) and "ancillary Own Funds" (off-balance sheet resources that are loss-absorbent, for example, unpaid share capital). All such assets are subject to eligibility criteria and weighting, as determined by reference to Articles 93 to 95 of Solvency II as well as to Articles 69 to 73, 76, 77, 79 and 82 of Commission Delegated Regulation (EU) 2015/35 as it forms part of domestic law by virtue of the EUWA. References to the Own Funds of a particular entity are references to the Own Funds held by an entity, whereas references to the Group's Own Funds, are references to the Own Funds within the scope of the Solvency II group.

- ***Solvency Capital Requirement ("SCR")***: This is the standard Own Funds level that a UK life insurer is required to maintain by the PRA. A separate calculation also applies to Solvency II groups. SCR is determined by reference to a basic standard formula set out in Articles 103–111 of Solvency II (the "**Standard Formula**"), however, an insurer may agree an amendment to the Standard Formula to create a bespoke calculation which more accurately reflects the risks applicable to that insurer, that amendment is achieved by way of an internal model (the "**Internal Model**"). Own Funds held to meet the SCR requirement (and any additional amendment or add on approved by the PRA) are also referred to as "regulatory capital" and any reference to an increase or decrease in a regulatory capital requirement is a reference to an increase or decrease in the amount of regulatory capital an entity has to hold. The amount by which an SCR requirement is exceeded by Own Funds is referred to as the "**Solvency II Surplus**".

- ***Solvency II Shareholder Capital Coverage Ratio ("Shareholder Capital Coverage Ratio")***: This is the ratio of Solvency II Own Funds to SCR, excluding Solvency II Own Funds and SCR of unsupported with-profit funds and Group pension schemes. Unsupported with-profit funds and Group pension schemes refer to those funds whose Solvency II Own Funds exceed their SCR. Where a with-profit fund or Group pension scheme has insufficient Solvency II Own Funds to cover its SCR, its Solvency II Own Funds and SCR are included within the Shareholder Capital Coverage Ratio calculation.

- ***Operating Cash Generation ("OCG")***: This measure reflects the sources of recurring organic cash generated which can be used to support sustainable cash remittances from the Operating Life Companies (as defined below). OCG is the expected emergence of cash on a Solvency II basis as surplus emerges from in-force business, including the run-off of capital requirements and Board approved capital management policies, plus the day-one capital strain arising on fee based business, group tax relief and the impact of recurring management actions undertaken. Recurring management actions are those that are considered to be either genuinely repeatable, repeatable in nature but subject to diminishing returns or not repeatable but benefits are expected from similar types of actions in the future.

Solvency and Financial Condition Reports

The Group holds an approval under a waiver from the PRA to prepare a single Group-wide Solvency and Financial Condition Report that contains the required information for the Group, PLL, PLAL, SLAL, SLPF, RAL, RLL, SLOC (each as defined below) and PA(GI) Limited. The Group Solvency and Financial Condition Report is incorporated by reference in this Offering Memorandum. At present this waiver does not extend to SLIDAC and PLAE (as defined below) and as a consequence separate Solvency and Financial Condition Reports for these entities are also prepared and incorporated by reference in this Offering Memorandum.

Currencies

In this Offering Memorandum and the information incorporated by reference into this Offering Memorandum, references to "**£**", "**pounds sterling**" or "**GBP**" are to the lawful currency of the UK, references to "**USD**", "**US dollars**", "**U.S.$**", "**$US**", "**US¢**" or "**cents**" are to the lawful currency of the United States, and references to "**Euro**", "**euro**" or "**€**" are to the euro, the European single currency which was introduced at the start of the third stage of the European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

No profit forecast

No statement in this Offering Memorandum is intended as a profit forecast and no statement in this Offering Memorandum should be interpreted to mean that earnings per ordinary share of the Issuer (a "**Share**") for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

Currency exchange rate information

Unless otherwise indicated, the financial information contained in this Offering Memorandum has been expressed in pounds sterling. The functional currency of the Issuer is pounds sterling, as is the reporting currency of the Group. Transactions not already measured in pounds sterling have been translated into pounds sterling in accordance with the relevant provisions of International Accounting Standard 21. On consolidation, income statements of subsidiaries for which pounds sterling are not the functional currency are translated into pounds sterling, the presentation currency for the Issuer, at average rates of exchange. Balance sheet items are translated into pounds sterling at period end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into pounds sterling at the rate indicated, at any other rate or at all.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Offering Memorandum is described therein and may be different to the convenience translations.

Third party information

The Issuer confirms that all third party data contained in this Offering Memorandum and the information incorporated herein has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from

information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Offering Memorandum and the information incorporated herein, the source of such information has been identified.

Insurance Group entities

References in this Offering Memorandum to the "**Insurance Group Parent Entity**" are to the Issuer, or any other subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group or other financial group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules (as defined in the Conditions)) pursuant to the regulatory capital requirements in force from time to time. References to the "**Insurance Group**" are to the Insurance Group Parent Entity and its subsidiaries (as such term is defined under section 1159 of the Companies Act, "**Subsidiaries**").

In this Offering Memorandum, "**Holding Companies**" refers to the Issuer, Phoenix Life Holdings Limited ("**PLHL**"), Pearl Group Holdings (No. 2) Limited ("**PGH2**"), Impala Holdings Limited ("**Impala**"), Pearl Life Holdings Limited, ReAssure Group plc ("**ReAssure**") and ReAssure Midco Limited.

The Group has ten authorised life insurance companies: Phoenix Life Limited ("**PLL**"), Phoenix Life Assurance Limited ("**PLAL**"), Standard Life Assurance Limited ("**SLAL**"), Standard Life Pension Funds Limited ("**SLPF**"), ReAssure Life Limited ("**RLL**") (previously Old Mutual Wealth Life Assurance Limited), ReAssure Limited ("**RAL**"), Standard Life International Designated Activity Company ("**Standard Life International**" or "**SLIDAC**"), Phoenix Life Assurance Europe Designated Activity Company ("**PLAE**"), Phoenix Re Limited ("**PRL**") and, as of 3 April 2023, Sun Life Assurance Company of Canada (U.K.) Limited ("**SLOC**") (the "**Life Companies**"). In October 2023, the Group completed the transfer of the long-term insurance business of PLAL, SLAL and SLPF to PLL by way of a transfer pursuant to Part VII of FSMA and intends to apply for the deauthorisation of the transferor companies in due course. References in this Offering Memorandum to the Life Companies should only be construed as including SLOC from 3 April 2023 onwards and references to "**Operating Life Companies**" are to the Life Companies other than PLAL, SLAL and SLPF.

Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum, any applicable supplement; (b) have access to and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. An investment in the Notes may be considered by investors who are in a position to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform

under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

TABLE OF CONTENTS

Page

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with the information contained in:

(i) the 2023 Annual Report and Accounts published by the Issuer (except for the figures which are described therein as being stated on a "pro forma" basis, which shall not be deemed to be incorporated in, and shall not form part of, this Offering Memorandum) (available at https://www.thephoenixgroup.com/media/vahepiay/phoenix-group-annual-report-and-accounts-2023.pdf);

(ii) the 2022 Annual Report and Accounts published by the Issuer (except for the figures which are described therein as being stated on a "pro forma" basis, which shall not be deemed to be incorporated in, and shall not form part of, this Offering Memorandum) (available at https://www.thephoenixgroup.com/media/yt1hulz5/phoenix-group-annual-report-and-accounts-2022.pdf);

(iii) the Solvency and Financial Condition Report for the Issuer for the year ended 31 December 2023 (available at https://www.thephoenixgroup.com/media/xfalu2gb/phoenix-group-solvency-and-financial-condition-report-31-december-2023.pdf) (the "**Phoenix 2023 SFCR**");

(iv) the Solvency and Financial Condition Report for the Issuer for the year ended 31 December 2022 (available at https://www.thephoenixgroup.com/media/jruhvzki/phoenix-group-solvency-and-financial-condition-report-31-december-2022.pdf) (the "**Phoenix 2022 SFCR**");

(v) the Solvency and Financial Condition Report for SLIDAC for the year ended 31 December 2023 (available at https://www.thephoenixgroup.com/media/xr1j01qn/slidac_sfcr_2023.pdf) (the "**SLIDAC 2023 SFCR**");

(vi) the Solvency and Financial Condition Report for SLIDAC for the year ended 31 December 2022 (available at https://www.thephoenixgroup.com/media/xwulrp5a/standard-life-international-dac-part-of-the-phoenix-group-solvency-and-financial-condition-report-31-december-2022.pdf) (the "**SLIDAC 2022 SFCR**");

(vii) the Solvency and Financial Condition Report for PLAE for the year ended 31 December 2023 (available at https://www.thephoenixgroup.com/media/ypdlconh/plae-sfcr-2023.pdf) (the "**PLAE 2023 SFCR**");

(viii) the Solvency and Financial Condition Report for PLAE for the year ended 31 December 2022 (available at https://www.thephoenixgroup.com/media/fl2nwnjz/plae-solvency-and-financial-condition-report-2022.pdf) (the "**PLAE 2022 SFCR**");

(ix) the presentation published by the Issuer on 22 March 2024 entitled "*Full year 2023 results*" (except for appendix 14 which shall not be deemed to be incorporated in, and shall not form part of, this Offering Memorandum) (available at https://www.thephoenixgroup.com/media/byypjb0l/phoenix-group-fy23-results-presentation.pdf) (the "**2023 Annual Report Slides**"); and

(x) the announcement of the Issuer dated 13 May 2024 entitled "*Directorate Change*" (available at https://www.londonstockexchange.com/news-article/PHNX/directorate-change/16465652).

Such documents (or, in the case of (a) the documents set out in the below table, the sections referred to in the table only and (b) the presentation described in paragraph (ix) above, the slides and appendices referred to in paragraph (ix) above only) shall be incorporated in and form part of, this Offering Memorandum, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such earlier

statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum. Those parts of the documents incorporated by reference in this Offering Memorandum which are not specifically incorporated by reference in this Offering Memorandum are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Offering Memorandum. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

Copies of the documents incorporated by reference in this document have been filed with the National Storage Mechanism or announced through a Regulatory Information Service and are available on the Issuer's corporate website at http://www.thephoenixgroup.com and are available free of charge at the Issuer's head office at 20 Old Bailey, London EC4M 7AN, United Kingdom.

Reference Document	**Information incorporated by reference**	**Page number in the reference document**
2023 Annual Report and Accounts of the Group		
	Our growth drivers	18 – 19
	Strategic priorities and KPIs	24 – 29
	The discussion and analysis for the financial year ended 31 December 2023 contained in the "*Business Review*" section	30 – 39
	Directors' Report	141 – 146
	Independent Auditor's report	150 – 163
	Consolidated income statement	164
	Statement of comprehensive income	165
	Statement of consolidated financial position	166 – 167
	Statement of consolidated changes in equity	168 – 169
	Statement of consolidated cashflows	170
	Notes to the consolidated financial statements	171 – 290
	Additional Life Company asset disclosures	306 – 309
	Additional capital disclosures	310 – 311
	Alternative performance measures	312 – 315
	Glossary	318 – 323
2022 Annual Report and Accounts of the Group		
	The discussion and analysis for the financial year ended 31 December 2022 contained in the "*Business Review*" section	28 – 41
	Directors' Report	147 - 152
	Independent Auditor's report	156 – 167
	Consolidated income statement	168

Reference Document	Information incorporated by reference	Page number in the reference document
	Statement of comprehensive income	169
	Statement of consolidated financial position	170 – 171
	Statement of consolidated changes in equity	172 – 173
	Statement of consolidated cashflows	174
	Notes to the consolidated financial statements	175 – 289
	Additional Life Company asset disclosures	307 – 311
	Additional capital disclosures	312 – 313
	Glossary	320 – 324
Solvency and Financial Condition Report for the Issuer for the year ended 31 December 2023 (the "**Phoenix 2023 SFCR**")		1-211
Solvency and Financial Condition Report for the Issuer for the year ended 31 December 2022 (the "**Phoenix 2022 SFCR**")		1-266
Solvency and Financial Condition Report for SLIDAC for the year ended 31 December 2023 (the "**SLIDAC 2023 SFCR**")		1-72
Solvency and Financial Condition Report for SLIDAC for the year ended 31 December 2022 (the "**SLIDAC 2022 SFCR**")		3-84
Solvency and Financial Condition Report for PLAE for the year ended 31 December 2023 (the **"PLAE 2023 SFCR"**)		3-76
Solvency and Financial Condition Report for PLAE for the year ended 31 December 2022 (the "**PLAE 2022 SFCR**" and together with the PLAE 2023 SFCR, Phoenix 2023 SFCR, Phoenix 2022 SFCR, the SLIDAC 2023 SFCR and the SLIDAC 2022 SFCR, the "**SFCRs**")		3-58

OVERVIEW

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

Issuer	Phoenix Group Holdings plc.
Insurance Group	The Insurance Group Parent Entity (being the Issuer at the date of this Offering Memorandum) and its Subsidiaries.
Joint Lead Managers	BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank HSBC Bank plc J.P. Morgan Securities plc Mizuho International plc
Trustee	Citibank, N.A., London Branch.
Principal Paying and Conversion Agent	Citibank, N.A., London Branch.
Registrar	Citibank Europe plc.
Notes	U.S.$500,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes.
Issue Date	12 June 2024
Issue Price	100 per cent.
Perpetual Securities	The Notes will be perpetual securities with no fixed redemption date, and the holders of the Notes (the "**Noteholders**") will have no right to require the Issuer to redeem or purchase the Notes at any time.
Status and Subordination	The Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders against the Issuer will be subordinated as described in Condition 3 (*Status of the Notes*).
Interest Rate	The Notes will bear interest on their principal amount: (i) from (and including) the Issue Date to (but excluding) 12 June 2030 ("**First Reset Date**") at a fixed rate of 8.500 per cent. per annum; and (ii) thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each such date, a "**Reset Date**") as the sum of the relevant CMT Rate, plus the Margin. Interest will, subject as described below in "*Cancellation of Interest Payments*", "*Mandatory Cancellation of Interest Payments*", "*Issuer's Distributable Items*" and "*Interest*

	Payments Discretionary", be payable on the Notes semi-annually in arrear on 12 June and 12 December (each, an "**Interest Payment Date**") in each year commencing on 12 December 2024.
Cancellation of Interest Payments	Subject as more fully described in the Conditions, Interest Payments shall not be made by the Issuer in the following circumstances: (i) the cancellation of such Interest Payment, or such Interest Payment not becoming due and payable, in accordance with the provisions described under "*Mandatory Cancellation of Interest Payments*" below; (ii) the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under "*Interest Payments Discretionary*" below; or (iii) the cancellation of payments of accrued interest in accordance with the provisions described under "*Automatic Conversion*" below. Any Interest Payment (or relevant part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment shall not constitute a default or event of default for any purpose.
Mandatory Cancellation of Interest Payments	Subject to certain limited exceptions as further described hereunder, the Issuer shall be required to cancel in full any Interest Payment if: (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto); (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto); (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto); (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or

distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or

(v) the Issuer is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment.

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

(i) it is of the type described in sub-paragraph (ii) above only;

(ii) the PRA has exceptionally waived the cancellation of the Interest Payment;

(iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and

(iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

Issuer's Distributable Items

Subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

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

(ii) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date; less

(iii) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date.

Interest Payments Discretionary

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

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Issuer's Own Fund Items but the Issuer has not exercised its option to redeem such Notes pursuant to Condition 8(*h*) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), the Issuer shall not, to the extent permitted under the Relevant Rules, exercise its discretion to cancel any Interest Payments due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event.

Solvency Condition

Other than in a winding-up or administration of the Issuer, or where a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in the Conditions, in which case the Solvency Condition shall continue to apply as if such Trigger Event had not occurred), all payments (other than any cash component of the Conversion Shares Offer Consideration and also subject to Condition 3(*c*)) under or arising from the Notes or the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due and payable by the Issuer under or arising from the Notes or the Trust Deed (including any damages for breach of any obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

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

Any payment of interest that would have been due and payable but for the Solvency Condition not being satisfied shall be cancelled.

For this purpose:

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

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

"**Senior Creditors**" means creditors of the Issuer:

(i) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any);

(ii) whose claims constitute upon issue or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer;

(iii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or

(iv) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Trigger Event.

Automatic Conversion

Unless the PRA has waived Automatic Conversion as provided in Condition 6*(a)*, following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur.

"**Automatic Conversion**" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer's obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing conversion price, being U.S.$1,000 per Conversion Share, subject to adjustment in accordance with Condition 6 (the "**Conversion Price**"), the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed.

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer in a winding-up or administration of the Issuer or otherwise with respect to: (i) repayment of the principal amount of the Notes or any part thereof; (ii) the payment of any interest on the Notes for any period; or (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

The release of the principal amount of a Note pursuant to, and in accordance with, Condition 6 (*Automatic Conversion*) shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give

	Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed. To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the Conversion Date if such an Automatic Conversion (taking into account the write-down or conversion of any other Own Fund Items on or around the Conversion Date) would give rise to a tax liability that would have a significant adverse effect on the solvency or capital position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice (i) to the cancellation of any Interest Payment or part thereof pursuant to Condition 5 and (ii) the Automatic Conversion of the Notes following the occurrence of a subsequent Trigger Event in respect of which the PRA does not grant such a waiver). The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13 (*Notices*), the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the PRA. See Condition 6 (*Automatic Conversion*) for further information.
Trigger Event	A Trigger Event shall occur if at any time: (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement; (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.
Redemption at the option of the Issuer	Subject to certain conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 12 December 2029 and ending on (and including) the First Reset Date or (B) any Interest Payment Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.
Redemption, substitution or variation at the option of the Issuer for taxation reasons	Subject to certain conditions, if a Tax Event has occurred and is continuing, then the Issuer may, at its option, without any

requirement for the consent or approval of the Noteholders, either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities.

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

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred and is continuing, or as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court of authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

A "**Capital Disqualification Event**" shall be deemed to have occurred if at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a 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 a limitation derived from any transitional or grandfathering provisions under the Relevant Rules).

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

Subject to certain conditions, if a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in (or clarification to) the methodology of a Rating Agency (or in the interpretation of such methodology), a Ratings Methodology

Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Ratings Methodology Event.

A "**Ratings Methodology Event**" will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of any Rating Agency (the "**Relevant Rating Agency**") (or in the interpretation of such methodology) as a result of which the "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by the Relevant Rating Agency to the Notes is, as notified by the Relevant Rating Agency to the Issuer or as published by the Relevant Rating Agency, reduced when compared to (a) the "equity credit" first assigned by the Relevant Rating Agency or its predecessor to the Notes (whether on or around the Issue Date or thereafter) or (b) (if this is lower) the "equity credit" assigned by the Relevant Rating Agency or its predecessor to the Notes on the issue date of any further tranche(s) of the Notes issued pursuant to Condition 17 and consolidated to form a single series with the Notes.

Redemption, substitution or variation at the option of the Issuer due to an Accounting Event

Subject to certain conditions, if an Accounting Event has occurred and is continuing, or, will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities,

	provided, however, that (i) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Accounting Event and (ii) the Issuer shall also deliver to the Trustee an opinion from a recognised accountancy firm of international standing experienced in such matters confirming that an Accounting Event has occurred or will so occur. An "**Accounting Event**" shall be deemed to have occurred if, as a result of an Accounting Rules Change, at any time the obligations of the Issuer under the Notes must not, or must no longer, be recorded as a 'financial liability' pursuant to UK-IAS for the purposes of the consolidated financial statements of the Issuer; and "**Accounting Rules Change**" means a change in the accounting principles under IFRS (or a change in the interpretation of such accounting principles by the Issuer's auditors) which becomes effective on or after the Issue Date or (if any further tranche(s) of the Notes has or have been issued and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes.
Clean-up redemption at the option of the Issuer	Subject to certain conditions, if 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.
Purchases	Subject to certain limited exceptions as more fully described in the Conditions, the Issuer or any of its Subsidiaries may purchase Notes in any manner and at any price.
Conditions to redemption and purchase	Subject to certain conditions, the Issuer may not redeem or purchase any Notes unless each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied: (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Issue Date (or, if any further tranche(s) of the Notes has or have been issued and consolidated to form a single series with the Notes, the issue date of the last tranche of the Notes), either (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being

exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or

(2) in the case of any redemption following a Tax Event or Capital Disqualification Event the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption; and

(A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or

(B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and

(C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Issue Date (or, if any further tranche(s) of the Notes has or have been issued and consolidated to form a single series with the Notes, the issue date of the last tranche of the Notes);

(ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes and (B) before the tenth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, the PRA has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

(iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the

redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;

(iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;

(v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;

(vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(*a*));

(vii) no Insolvent Insurer Winding-up has occurred and is continuing;

(viii) the Regulatory Clearance Condition is satisfied; and/or

(ix) any other additional or alternative requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the PRA or the Relevant Rules have (in addition or in the alternative to the foregoing subparagraphs, as the case may be) been complied with (and shall continue to be complied with following the proposed redemption or purchase),

the conditions set out in paragraphs (i) to (ix) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the "**Redemption and Purchase Conditions**".

If on the proposed date for redemption or purchase of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(*c*) and 8(*d*) or, as applicable, the purchase of the Notes shall be cancelled. Notwithstanding the Redemption and Purchase Conditions, the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

(a) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) above;

(b) the PRA has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;

(c) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt,

will include (without limitation) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a higher quality than the Notes); and

(d) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

Preconditions to redemption, variation and substitution

Prior to the publication of any notice of redemption, variation or substitution the Issuer shall deliver to the Trustee a certificate signed by two of its directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event has occurred and is continuing or, for the purposes of Condition 8(*k*), that 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event) will occur within a period of six months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, such Tax Event, Capital Disqualification Event, Ratings Methodology Event or Accounting Event was not reasonably foreseeable.

In the case of a notice of redemption, variation or substitution on the grounds of a Tax Event, the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser (as further described in the Conditions).

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes pursuant to Condition 8(*g*), 8(*h*), 8(*i*) or 8(*j*) unless:

(i) it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective; and

(ii) the Regulatory Clearance Condition has been satisfied.

Withholding tax and additional amounts

Payments on the Notes by or on behalf of the Issuer 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 Relevant Jurisdiction unless such withholding or deduction is required by law. In any such event, the Issuer will, subject to certain exceptions set out in Condition 9 (*Taxation*), pay such additional amounts in respect of Interest Payments (but not in respect of any payments of principal) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. "**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes.
Enforcement	If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them, the Trustee at its discretion may, and if so requested by Noteholders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for an Issuer Winding-Up. Subject to Condition 6 (*Automatic Conversion*), in the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee), the Trustee may prove in the winding-up or administration of the Issuer and/or (as the case may be) claim in the liquidation or administration of the Issuer, such claim being as provided in, and subordinated in the manner described in, Condition 3(*b*) (*Issuer Winding-Up*), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.
Form	The Notes will be issued in registered form and represented upon issue by a Global Certificate which will be registered in the name of a nominee for a Common Depositary for Clearstream, Luxembourg and Euroclear on or about the Issue Date.
Denomination	The Notes will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Substitution of obligor and transfer of business	The Conditions permit the Trustee to agree to the substitution in place of the Issuer of a Substituted Obligor without the consent of Noteholders. If requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason, the Trustee shall promptly agree, without the consent of the Noteholders, to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under Condition 14 as principal debtor under

	the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes. If a Newco Scheme (as defined in the relevant Conditions) occurs, the Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the relevant Issuer.
Meetings of Noteholders	The Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or video conference) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed contains provisions for calling meetings of holders of a relevant series of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of that series including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Admission to trading	Application will be made for the Notes to be admitted to trading on the ISM.
Ratings	The Notes have been assigned a rating of BBB+ by Fitch. 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.
Governing Law	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and construed in accordance with, English law.
ISIN	XS2828830153
Common Code	282883015
Clearing Systems	Euroclear and Clearstream, Luxembourg.

RISK FACTORS

Investing in the Notes involves certain risks. The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Group and the impact each risk could have on the Group is set out below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

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

Capitalised terms which are defined in the "Terms and Conditions of the Notes" have the same meaning when used in this overview.

Risks relating to the Group

Economy and Financial Markets

The Group's business is subject to risks arising from economic conditions in the UK and other markets in which it operates or in which its and its policyholders' investments are invested.

The Group's business is subject to risks arising from general and sector-specific economic conditions in the markets in which it operates or invests, particularly the UK, in which the Group's earnings are and will be predominantly generated and in which its and its policyholders' investments are predominantly invested. Although under drawdown or accumulation policies, investment risks are often borne, in whole or in part, by policyholders in accordance with the terms of the relevant policies, fluctuations in investment markets and the general rate of inflation will, directly and indirectly, affect the financial position of the Group including its value, reserving and regulatory capital requirements and results. In addition, the Group bears risk in respect of products where the benefits are not aligned with the investment performance of the assets which support them. Substantial decreases in the value of investments could lead to the shareholder capital of the Operating Life Companies being required to meet obligations to policyholders and reserving and regulatory capital requirements and could restrict the ability of the Operating Life Companies to make distributions or, where applicable, release capital to service debt. Decreases in the value of investments may lead to policyholders terminating their policies with the Group as they may seek to reduce their exposure to the Group's investments. Decreases in the value of investments could also require further capital to be held to cover pension scheme obligations.

The Group bears certain risks in relation to with-profit policies, which relate to its proportion of total with-profit bonus declarations for the relevant fund that the Group is entitled to receive (maximum of 10 per cent.). A decrease in with-profit bonus declarations could cause policyholders to lapse as policyholders seek to maximise their returns which could lead to a fall in profits for the Group. Furthermore, if losses in the Group's with-profit funds are substantial enough to cause the value of the assets of the with-profit funds to fall below the contractual commitments to policyholders, the Group will be required to contribute the additional capital to

meet those policyholder liabilities and such losses could affect the Group's ability to release capital to pay dividends to its shareholders.

The global macro-economic environment remains highly uncertain. The Russia-Ukraine conflict and the Israel-Hamas conflict have resulted in increased market volatility and inflationary pressures. Although rates of inflation are reducing, higher inflation still persists, with the potential for stagflation across developed economies. The longer-term impacts of the conflicts are unknown. The volatile political environment, ahead of worldwide elections in 2024, has potential implications for the Group's customer base, including the cost-of-living crisis, increased borrowing costs and the potential increase in vulnerability. Economic conditions in the UK and other markets, including Europe, in which the Group operates or in which the Group's or their policyholders' investments are invested, could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

Significant declines in equity markets, bond markets or property prices, or significant movements in swap yields relative to gilt yields, could have an adverse effect on the Group.

As at 31 December 2023, funds of the Life Companies were invested as follows: 40 per cent. in government, supranational, corporate debt and other fixed income securities; 7 per cent. in cash and cash equivalents; 46 per cent. in equity securities; 2 per cent. in property; and 5 per cent. in other investments.

Although, subject to certain guaranteed benefits (see paragraph below), policyholders bear most of the impact of falls in equity, debt and property values in accordance with the terms of their policies, significant decreases in the market prices of the Group's equity, debt and property investments could reduce the amounts available to fund its long-term policyholder obligations. This, in turn, could increase liquidity risks and could lead to shareholder capital of the Operating Life Companies being retained or shareholder capital available within the Group being required to be injected into the Operating Life Companies to meet obligations to policyholders and regulatory capital requirements. Further capital could also be required to cover the Group's pension scheme obligations.

Certain of the benefits due to policyholders do not track the performance of the underlying investments held in respect of their policies, in particular some of the Group's annuity policies, protection policies, with-profit policies and a number of the Group's unit linked policies offer guaranteed benefits which are uncorrelated to investment performance. These policies increase the Group's financial exposure to investment risk because members of the Group are exposed to the mismatch between performance and the benefits it has to offer policyholders. The Group has implemented hedging arrangements which seek to protect it to an extent against declines in equity markets but not all investment exposure is hedged and it may not be possible, feasible or desirable to hedge such exposure in the future. To the extent that these exposures have not been hedged, the Group may have to meet the mismatch between the benefits to be paid under the policies and the performance of the underlying assets. Relative movements in credit spreads, gilt yields and swap yields may affect the calculated value of the assets and liabilities of the Group and different financial and actual metrics which are applied to the Group will respond in different ways. For example, the market value of the Group's holdings in gilts will move in line with changes in gilt yields, whereas the Group's holdings in certain other assets such as swaps, swaptions and other derivatives will move in line with swap yields. For reporting under Solvency II, and the calculation of reserving and regulatory capital, the Group's liabilities generally move in line with swap yields. Changes in the relative swap yields versus gilt yields could therefore have adverse impacts on the Group's regulatory capital position and its Own Funds, and the impacts may not move in a linear fashion. The Group implements hedging arrangements which seek to partially mitigate some changes in relative yields but not all exposure is hedged and it may not be possible, feasible or desirable to hedge all such exposures in the future. Similarly, movements in credit spreads may also adversely impact on the Group's capital and profit positions. Asset valuations change by reference to the entire change in the credit spread, whereas the liability

calculation may not reflect fully or may not reflect at all the movement in credit spread, depending on the type of business and the metric being considered.

As at 31 December 2023, the Group holds within its shareholder and non-profit funds a portfolio of £13,572 million (comprising equity release mortgages, local authority loans, commercial real estate loans, corporate and project finance infrastructure debt, loans guaranteed by export credit agencies, supranationals, loans to housing associations and private corporate credit), and the Group's business plan targets further material investments in illiquid credit assets in the future. Therefore, there is also a risk that the Group is unable to source the desired volume of illiquid assets to support its business plans. The Group's equity release mortgages portfolio as at 31 December 2023 consisted of an average loan to value ratio of 32 per cent., an average policy holder age of 76 years and an average time to redemption of 11 years. The equity release mortgages that were originated from 1 January 2023 to 31 December 2023 consisted of an average loan to value ratio of 27-30 per cent., an average policy holder age of 72 years and an average time to redemption of 13 years. A significant decline or sustained future declines in UK residential house prices could cause losses on the equity release mortgages portfolio, which is secured on residential property and, as at 31 December 2023, represented £4,486 million of the Group's assets. Future adverse deviations in the mortality or voluntary repayment experience of lifetime mortgage borrowers could also cause losses on the equity release mortgages portfolio. The performance of the Group's illiquid credit asset portfolio is sensitive to movements in interest rates, credit spreads, credit default experience and illiquidity of relevant assets.

Other EU countries may seek to conduct their own referenda on their continuing membership of the EU or other issues (for example, Catalonian independence). Brexit, other referenda, political instability or increased geopolitical tensions could adversely affect UK, European or worldwide economic or market conditions and could contribute to instability and volatility in global financial markets, which could act as a drag on the relative valuations of UK equities or other companies making use of the European single market, with a negative impact on insurers, such as the Group whose assets are exposed to UK and other markets. Economic and political instability may also impact on foreign exchange and interest rates, which will also have an impact on the value of an insurer's investment portfolio, or any collateral that it holds. The Group's European business will generate profit in Euros and will accordingly be exposed to any devaluation in the currency.

Any significant declines in equity markets, bond markets, interest rates (including for sovereign debt) or property prices, or significant movements in swap yields relative to gilt yields or credit spreads/migration/default, and corresponding changes to reserving and regulatory capital requirements, could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

Defaults in relation to investments and financial investments and by counterparties may adversely affect the Group.

The Group is exposed to counterparty risk. Such counterparty risk may be manifested in deterioration in the actual or perceived creditworthiness of, or default by, issuers of the securities or other financial instruments forming part of the Group's investments, or borrowers of loans (including commercial real estate loans and infrastructure loans issued by one of the Group's businesses as part of the Group's investments). For instance, assets held to meet obligations to policyholders include corporate bonds and other debt securities. Counterparty risk may also include the risk of counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet obligations assumed under reinsurance arrangements, or bulk purchase agreements or derivative counterparties or stock-borrowers failing to pay as required. Counterparty defaults would negatively impact the Group's operations and customer relationships and, as a consequence, could have a material adverse effect on the Group's business, results, financial condition and prospects. An increase in credit spreads/migration, particularly if it is accompanied by a higher level of issuer defaults, could have a material adverse impact on the Group's financial condition although some of this risk is shared with policyholders.

Furthermore, securities which have been loaned could be redelivered and it may then prove difficult or impractical to return collateral held against those securities in the event that this collateral had been reinvested in assets which have become illiquid.

In the event of a counterparty becoming distressed or insolvent the applicable insolvency regime and/or regulatory resolution regime may apply, potentially resulting in the Group receiving less than a full recovery in respect of amounts due to it. In addition, in the case of bulk purchase annuity agreements (some of which are high value contracts), the Pension Protection Fund, as established under the Pensions Act 2004, may adjust the relevant contract or the liabilities under the contract, potentially resulting in negative outcomes for the Group.

Additionally, the underlying collateral supporting a counterparty's securities-redelivery obligation could be invested by collateral managers in a manner that breaches the terms of their investment mandates, causing the Group to incur losses on its securities-lending transactions, with potential material adverse effects on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by changes in interest rates and inflation risks.

The Group's exposure to interest rate and inflation risks relates primarily to the variability of market prices and cashflow of assets relative to liabilities associated with changes in interest and inflation rates.

The Group's obligations to pension schemes and policyholders vary as interest rates fluctuate as they are discounted based on the level of long-term interest rates. The Bank of England raised interest rates over the past two years to help slow down inflation. As at the date of this Offering Memorandum, the Bank of England has maintained the bank rate at 5.25 per cent. and has stated that it will keep interest rates high for long enough to get inflation back to the 2 per cent. target in a lasting way. As a result, once inflation is at the target level, interest rates are expected to fall, and a future reduction in long-term interest rates or negative interest rates would increase the amount of the Group's liabilities. The Group attempts to match a significant proportion of its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the underlying liabilities. However, to the extent that such asset-to-liability matching is not practicable or fully achieved, there may be differences in the impact of changes in interest rates on assets and liabilities, which could have a material adverse effect on the Group's business, results, financial condition and prospects. Although inflation in the UK has fallen from a peak of 11 per cent. in 2022 to 2.3 per cent. in May 2024, it is still above the Bank of England's 2 per cent. target. High inflation rates could have an adverse impact on the Group primarily as a result of increased pension scheme obligations or where a Group member holds policies which afford policyholders inflation-linked benefits, as well as through any impact on its operating cost base.

The Group's with-profit funds are exposed to additional interest rate risk as the funds' guaranteed liabilities are valued based on market interest rates, with the funds' investments including fixed-interest investments and derivatives. As a result, future declines in interest rates or negative interest rates could materially decrease the amount of distributions from the Group's with-profit funds which are available to policyholders or shareholders, and this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Operating Life Companies are required to hold a risk margin under Solvency II. The size of the risk margin was reduced with effect from 31 December 2023. Despite this, this risk margin will increase significantly if there is a material fall in long-term interest rates. It is expected they would be able to offset the impact of such a fall to some extent through the transitional measures on technical provisions.

Movements in interest rates can impact the price of fixed rate debt or the interest cost of variable rate debt (if any). Monetary policy decisions taken by global central banks to control inflation have increased both short term interest rates and the yields on longer term government bonds. A prolonged period of rising inflation and interest rates may develop into slow or stagnant economic growth if combined with slowing economic expansion and elevated unemployment. On 9 May 2024, the Bank of England stated that the UK's GDP is

expected to have risen by 0.4 per cent. in Q1 2024 and to grow by 0.2 per cent. in Q2 2024. The cost of living crisis and persistent inflation will impact the lives of the Group's customers, particularly those most vulnerable, which may lead to increased policy lapses or surrenders, and surrenders of policies 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. This could, in the absence of other countervailing changes, cause a material increase in the net loss position of the Group's investment portfolio, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Liquidity risk may adversely affect the Group.

Liquidity risk in its broadest sense can be defined as failure to maintain adequate levels of financial resources to meet short-term obligations as they fall due. The Group's liquidity requirements can be described as potential cash outflows in relation to known and potential cash flows, including without limitations in respect of policyholder claims, collateral calls, finance costs and other expenses. Without access to sufficient liquidity, the Group may fail to meet its obligations when they fall due. The Group seeks to hold appropriate assets in quantum and quality to meet different requirements over different time horizons. Certain market conditions may reduce the available sources of liquidity, which could reduce the capacity of the Group to write new business or, in a more extreme scenario, continue as a going concern.

The liquidity of the Group is monitored by assessing available liquidity and comparing it to prudent liquidity buffers, for the current period as well as a 12-month projection. The projection provides an early warning of potential of shortfalls in liquidity. A schedule of potential contingent actions is also maintained which could increase available liquidity or reduce liquidity needs. These actions vary as to ease of execution and the extent to which they may be unattractive or involve other adverse implications. The range of options is considered at times of potential stress to ascertain the most appropriate action(s) for each scenario. The Group assumes that market moves could cause the value of derivatives to move adversely and require collateral to be posted in relation to derivatives held. Explicit early warning indicators are maintained to highlight potential collateral outflows. Other liquidity risks are also monitored, for example the risks of mass lapse and mortality, which could bring forward or increase the Group's cash outflows.

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

Any downgrade of the credit rating of the Group or its rated subsidiaries could increase the borrowing costs of the Group and/or its relevant subsidiaries, weaken the Group's market position, weaken the Group's capital position and/or weaken the Group's liquidity position.

Given the funding requirements of the Group, the Group is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit rating supplied by Fitch. Any downgrading of the credit rating could increase the Group's borrowing cost and may weaken its position in the market. Changes in the methodology and criteria used by Fitch could result in downgrades that do not reflect changes in general economic conditions or the financial condition of the Group.

Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute future acquisitions and disposals, which could have an adverse effect on the Group.

M&A activity, including the disciplined acquisition of companies and portfolios, has the potential to grow the Group's business, create additional value from scale advantages and develop additional capabilities.

The Group's ability to acquire life companies and portfolios will depend upon a number of factors, including its ability to identify suitable acquisition opportunities, its ability to consummate acquisitions on favourable

terms and the Group's ability to obtain financing to make acquisitions and support growth. Additionally, the Group's ability to obtain required regulatory consents from the FCA and PRA and other relevant regulatory authorities for acquisitions, disposals and insurance business or portfolio transfers (including under Part VII of FSMA) will depend on, amongst other things, the financial condition of the Group, the financial implications of any acquisition of the Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security. The requirement of the Group to obtain required regulatory consents could have an impact on the timing and cost of any potential acquisitions, which in turn could have a material adverse effect on the ability of the Group to integrate its acquired companies following acquisition. See *"Risks relating to integration following acquisitions"*.

There are many other potential purchasers for companies, including life fund consolidators, insurance companies and private equity firms, which may result in increased competition (and therefore higher prices paid). External factors which influence sector participants' decisions to seek to dispose of their insurance interests could also impact the Group's ability to make acquisitions.

In connection with any future acquisitions, the Group may experience unforeseen difficulties as it integrates the acquired companies and portfolios into its existing operations. These difficulties may require significant management attention and financial resources. If the Group decides to dispose of a company which it owns or the business or assets of such a company there is no guarantee that it will find a purchaser for such a company, business or assets, or that a potential purchaser will have the same view of the value of such company, business or assets. In addition, significant acquisitions and disposals by the Group are likely to require regulatory approval and/or the consent of the Group's bank lenders for material disposals and there can be no assurance that the Group would be able to obtain such approvals or consents. Any of these factors may mean that the Group is unable to realise the target value of such company, business or assets.

If the Group is unable to meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The occurrence of epidemics and pandemics may affect the Group's business.

The Group's business could be affected by current and future pandemics and their consequential impacts on population mortality, longevity and morbidity and their impacts on financial markets.

The novel coronavirus ("**COVID-19**") pandemic caused disruption to the Group's customers, suppliers and employees. The jurisdictions in which the Group operates imposed a number of measures designed to contain the outbreak, including the following at times: business closures, travel restrictions, stay-at-home orders and prohibition of gatherings and events, with a resultant negative impact on the Group's operations. The Group implemented actions to maintain business continuity for its staff and customers in response to these restrictions, including implementing the capability to work from home for employees. The changes made to the Group's operating model to move to flexible working in response to COVID-19 increase the risk of operational losses arising from sources such as pricing errors, claims processing errors and fraud.

In the longer-term, if there is further emergence of diseases that give rise to similar effects to those of COVID-19, macroeconomic conditions may be materially and adversely affected and may lead to a further economic downturn in the countries in which the Group operates and impact the long-term performance of the Group's asset portfolio. The Group's credit portfolio remains exposed to the risk of credit rating downgrades and credit defaults that could arise as a result of the lasting impact of COVID-19 on businesses.

Actions taken by central banks and/or supervisory authorities in response to future pandemics could potentially impact the Group's business. There is a risk that supervisory authorities could introduce additional guidance, conditions or binding restrictions in relation to solvency capital requirements, distributions and/or liquidity

which could limit the flexibility of the Group in relation to solvency, capital, liquidity and asset management and its business strategy.

The effect of future pandemics on operations and market conditions could also impact the Group's ability to execute its business strategy. The impact of future pandemics on capital markets could also affect the Group's financing arrangements and liquidity position.

The potential long-term impact on the health of those in the population who have suffered from COVID-19, particularly with respect to those who have suffered from 'long-COVID' is unknown and could result in a prolonged increase in population mortality and morbidity which could impact the insurance underwriting experience on the Group's life insurance business. Supervisory authorities may also interpret their own regulatory policies and expectations so as to require, or strongly encourage, payments to be made on insurance or protection policies or the Group's protection contracts, including life assurance and critical illness cover in circumstances where payments would not otherwise be required under the contractual terms of the relevant policy.

The impact of past events on the medium and long-term outlooks remains uncertain. There may already be longer term economic impacts from past lockdowns and other restrictions, as well as structural changes to society and the markets in which the Group operates. As a result, any future epidemics or pandemics may have a material adverse effect on the Group's solvency ratios, solvency surplus, business, ability or appetite to make distributions, results, financial condition and prospects.

Regulatory Risks

Regulatory capital and other requirements may change.

Since 1 January 2016, the Life Companies have been required to carry out regulatory capital calculations under Solvency II, as described in "*Regulatory Overview – Solvency II*". The supervision of the regulatory capital requirements of those Life Companies authorised in the UK is carried out by the PRA and the Central Bank of Ireland (the "**CBI**") carries out the same function for SLIDAC and PLAE. PRL is regulated by the Bermuda Monetary Authority. Any existing regulations may be amended in the future or new regulations may be implemented.

The UK's version of Solvency II derives directly from the original EU version of the Solvency II regime. Consistent with the general approach to the onshoring of EU law, following the end of the Brexit transitional period on 31 December 2020, the original EU version of Solvency II was retained in the UK in substantially complete form. That has been subject to the review as described below resulting in some changes to the UK's version of Solvency II. The UK and EU rules are likely to diverge further in future, including as a result of reform processes that are currently underway in both the UK and EU.

There is currently no delegated act determining that the prudential regime in the UK is equivalent to that under Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 (as amended) (the "**Solvency II Directive**"). As a result, the CBI is now required to apply group supervision under the Irish implementation of the Solvency II Directive to SLIDAC at the level of the Issuer, which may result in additional regulatory oversight of the Group.

Another point to note in relation to potential changes is that the regulatory capital and/or reserving position applicable to certain of the Life Companies may be modified by four matters which are within the PRA's discretion and which certain of the Life Companies could lose the benefit of: (i) the Solvency II Internal Model; (ii) the Matching Adjustment (as defined in the paragraph below); (iii) the Volatility Adjustment (as defined in the paragraph below); and (iv) the application of transitional measures, as described in the paragraphs below.

- *Internal Model*: Effective 30 September 2021, the PRA approved an agreed methodology and model to calculate the Group SCR for the Issuer pursuant to Solvency II (the "**Solvency II Internal Model**") covering all Group entities (excluding ReAssure and the other ReAssure entities (the "**ReAssure Companies**")), PLAE, SLIDAC and Sun Life Assurance Company of Canada entities). As at the date of this Offering Memorandum, the SCR for the ReAssure Companies and Sun Life Assurance Company of Canada entities is calculated in accordance with the Standard Formula. Eventually, the Group intends to bring the ReAssure Companies and Sun Life Assurance Company of Canada entities into the scope of its harmonised Solvency II Internal Model. Since 30 June 2022, SLIDAC calculates its entity-level SCR in accordance with its Partial Internal Model which has been approved by the CBI. However, in the Group SCR, SLIDAC continues to be assessed under the Standard Formula.

- *Matching Adjustment*s: Generally, the Operating Life Companies apply a "matching adjustment" to certain long-term liabilities that are closely matched by an assigned matching adjustment portfolio of assets of equivalent nature, term and currency ("**Matching Adjustment**"). The Matching Adjustment is subject to strict criteria and ongoing compliance in relation to maintenance of close matching, asset and liability characteristics and segregation of the management of the assigned Matching Adjustment portfolios. Certain of the Operating Life Companies authorised in the UK have permission from the PRA to apply the Matching Adjustment in respect of certain agreed portfolios of liabilities, thereby reducing the reserves and capital requirements associated with such liabilities.

- *Solvency II Volatility Adjustmen*t: Solvency II firms in the UK and Ireland may seek regulatory approval to apply a "volatility adjustment" to some types of long-term insurance liabilities, other than liabilities to which a Matching Adjustment has already been applied (the "**Volatility Adjustment**"). Certain of the Operating Life Companies have received permission from the PRA to apply the Volatility Adjustment, which reduces the reserving and capital requirements associated with the liabilities. The level of adjustment is prescribed in the UK by the PRA and may change in the future.

- *Transitional Measure*s: The benefit of the transitional measures designed to ensure a smooth transition from Solvency I (the old regime) to Solvency II (the new regime) will be phased out over a 16-year period from 1 January 2016. The PRA has made near final rules in PS2/24, which the PRA describes as substantively final, which will introduce, from 1 January 2025, a simplified approach to the calculation of the transitional measures for the remainder of the transitional period to 2032 and allow for their continuous recalculation with smooth run-off. The objective of these rules is to simplify the calculations of the transitional measures with a change in calculation only being contemplated on an insurance business transfer or a 100 per cent. reinsurance if there is a material change in risk profile. There remains some uncertainty over the pace of run-off within that period, in particular in the impact of any recalculation of the transitional measures in these circumstances.

Regarding the discretionary matters above which are already the subject of a relevant regulator's agreement or non-objection, the Group is not aware of any current matters or circumstances that might reasonably be expected to result in the relevant Life Companies losing the relevant benefit. However, as part of the Solvency II reform process, legislation is due to be revoked which currently underpins the grant of certain approvals by the PRA, for example in relation to internal models and for the use of measures such as the Matching Adjustment, the Volatility Adjustment and transitional measures. His Majesty's Treasury ("**HMT**") has indicated that existing approvals that firms have in relation to these measures will continue to be valid notwithstanding this revocation

and legislation has subsequently been made to ensure the continuity of existing Matching Adjustment approvals. Further legislation will be needed to ensure the ongoing validity of other existing approvals, for example, in relation to internal models, the Volatility Adjustment and transitional measures. If that legislation is not made in time, there remains a risk that these approvals would no longer be considered to be valid, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

An increase in the regulatory capital and/or reserving requirements of an entity or a restriction on the use or availability of capital within the Group or a reduction in the value of the Own Funds that can be used to meet such requirements, may reduce the profits of the Group or trap cash or assets in certain Group companies. There are also circumstances where the Group may choose to move cash or assets from another part of the Group to meet an increased regulatory capital requirement. Consequently, a change in the regulatory capital and/or reserving requirements applied to certain Group companies, and in particular the loss of (or the failure to obtain) certain discretionary reductions in those requirements in respect of the relevant Life Companies, could have a material adverse effect on the Group's business, results, financial condition and prospects.

On 23 June 2020, the UK government announced its intention to bring forward a review of certain features of Solvency II to ensure that it is properly tailored to take account of the structural features of the UK insurance sector. Following a call for evidence and a consultation process, on 17 November 2022, HMT set out its final package for reform, which includes reducing the risk margin for life and non-life insurance business and, in relation to Matching Adjustment portfolios, increasing the risk sensitivity of the current fundamental spread approach used to measure credit risk arising from the firm's assets, requiring senior managers to attest to the sufficiency of their firm's fundamental spread and broadening the Matching Adjustment eligibility criteria.

Reform of the risk margin came into force in legislation on 31 December 2023. Reforms to the Matching Adjustment are planned for 30 June 2024 with the remainder of the new regime to come into force by 31 December 2024. On 8 December 2023, the Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023 (the "**Risk Margin Regulations**") were laid before Parliament and came into force on 31 December 2023. The Risk Margin Regulations primarily set out HMT's reforms to Solvency II risk margins. To ensure that the PRA Rulebook (as defined below) aligned with the Risk Margin Regulations, the PRA finalised related consequential amendments to its rulebook in PS 19/23. The draft version of the Insurance and Reinsurance Undertakings (Prudential Requirements) (Amendment and Miscellaneous Provisions) Regulations 2024 (the "**Prudential Requirements Amendment Regulations**"), which restate the Risk Margin Regulations, were also laid before Parliament on 20 May 2024 and were originally due to come into force on 31 December 2024. However, following the announcement by the Prime Minister that a general election would be held on 4 July 2024 and the dissolution of Parliament on 30 May 2024, and as the Prudential Requirements Amendment Regulations were not included in the "wash-up" process which saw some essential or non-controversial legislation fast-tracked before Parliament was dissolved, the motion to approve the Prudential Requirements Amendment Regulations has therefore lapsed. It remains unclear as to whether the next administration will revive the Prudential Requirements Amendment Regulations in their current form. The Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023 (the "**Prudential Requirements Regulations**"), which come into force on 30 June 2024, introduce certain changes in relation to the Matching Adjustment. Having consulted on related changes to its rules on the Matching Adjustment in September 2023, the PRA published its policy statement and final rules on 6 June 2024.

Any changes to Solvency II may increase the capital requirements of the Life Companies. The legislative implementation of these proposals remains uncertain but could have material adverse effects on the Group's business, results, financial condition and prospects.

The Group operates in a regulated sector and its operations and practices may be affected by changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry wide changes in approach to law and regulation.

The Group operates in the life and pensions sector in several jurisdictions, which, in each case, are the subject of continued legal and regulatory change. The legal and regulatory environments in which the Group operates may change, meaning that the Group has to change its practices. Such change can come in the form of a change in law or regulation. For example, (i) Solvency II (which became effective on 1 January 2016 and has since been amended) increased the capital requirements on the Life Companies and (ii) the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**") (which became effective on 25 May 2018) increased the territorial scope of the existing EU data protection framework and imposed stronger sanctions on those who breach it, amongst other things. Alternatively, a relevant regulator may reinterpret or place new emphasis on an existing piece of law or legislation.

In the UK and Ireland, a number of significant changes to law and regulation are currently being proposed or have relatively recently been implemented. In the pensions sector, the effect of certain new laws and regulations has not yet been fully realised, in part because the new laws and regulations may change customer behaviours. For example, on 1 April 2015, wide-ranging reforms of UK pensions legislation came into effect, including the cessation of the requirement for pension benefits to be taken in the form of an annuity and a requirement for customers to receive guidance on their options at the time of retirement. The advent of these freedoms resulted in a reduction in annuity sales. It is also possible that (as has happened since the advent of the reforms) there may continue to be a reduction in customer retention in particular when a customer with a pension policy would previously have been likely to buy an annuity.

Broader financial services regulation is also being consulted on by HMT, which aims to establish how much rule-making power will pass from legislation to the UK's regulators. On 27 July 2022, the FCA published final rules in a policy statement (PS 22/9) and finalised guidance (FG 22/5) which introduce a new Consumer Duty (as defined in the "*Regulatory Overview*" section) on firms who provide services to retail clients. The rules and guidance came into force on 31 July 2023 for new and existing products or services that are open to sale or renewal and come into force on 31 July 2024 for closed products or services. The Consumer Duty represents a step change in approach for the industry, re-enforcing a shift away from a rules-based regime to principles-based regulation. The Consumer Duty introduces an overarching requirement that firms, and their employees, must act to deliver good outcomes for retail customers. In response, the Group mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024. Despite having met the first two deadlines, the Group's view is that the risk exposure around the Consumer Duty is elevated whilst the supervisory approach matures, and closed products are reviewed against the Consumer Duty's principles, most notably fair value, ahead of the end-July 2024 deadline.

In September 2023, the PRA issued a consultation paper outlining proposals for new rules relating to reinsurance to third parties where a premium is payable up front ("**Funded Reinsurance**") as the sector's use of this type of reinsurance grows. The Life Companies hold some Funded Reinsurance contracts on existing business and expect to make increased use of reinsurance of this nature in the future. There is a risk that the regulatory reforms negatively impact the Life Companies' ability to enter into these reinsurances in the future or that they suffer a loss on existing reinsurance contracts if the regulations were to increase the capital requirements for these contracts. The final PRA policy statement is expected in the summer of 2024.

In November 2023, the FCA issued Sustainability Disclosure Requirements and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments; the first of these rules to come into force will be the anti-greenwashing rule and related guidance, which came into effect on 31 May 2024. In December 2023, the FCA issued the Advice Guidance Boundary

Review consultation paper, which could lead to a significant change in the way that people who cannot access advice are supported in the industry; this consultation closed on 28 February 2024. The potential impacts of these developments on the Group's business and operations are not yet fully clear.

In Ireland, Directive 2016/2341 on the Institutions for Occupational Retirement Provision was transposed into Irish law on 22 April 2021, and the Irish government has approved the introduction of an auto-enrolment pension system in Ireland from January 2025, which could result in changes to customer behaviour when it comes to pension savings and investment. The Group is monitoring and projecting the impact of ongoing pensions' reforms on its business, but the true impact will only become clear once relevant laws and regulations are implemented and, following that, a stable pattern of customer experience has emerged.

The Group may experience changes in the value of its assets, liabilities and/or capital requirements as a result of the ongoing Global Benchmark Reform mandated by the Financial Stability Board (including the transition away from current benchmarks, for example the London Interbank Offered Rate (LIBOR) to alternative interest rate benchmarks such as the Sterling Over Night Index Average (SONIA)), and any associated changes in regulatory policy made by the PRA, FCA, European Insurance and Occupational Pensions Authority ("**EIOPA**") and other regulators in the jurisdictions in which the Group operates or has exposure to. In relation to LIBOR, the ICE Benchmark Administration Limited has ceased publication of all pound sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar LIBOR settings, and replacement risk-free rates have been adopted in their place. All remaining US dollar LIBOR settings have also ceased to be published.

Brexit may result in further changes to the UK and EU's regulatory system. While the business of the Group is primarily situated in the UK, some of the changes to the regulatory system may affect the business of the Group (positively or negatively). Changes to law and regulation may also affect the regulation of UK business if the UK and EU regulatory systems diverge and may also affect contracts (including derivative contracts) to which a UK business is party. The Group is exposed to the risk of counterparties failing to meet all or part of their obligations, such as derivative counterparties failing to pay as required, which could have a material adverse effect on the Group's business, results, financial condition and prospects. As a result, it is possible that Brexit may require the Group to take mitigating action, or to change parts of its business. In addition, like many of its peers, the Group will also administer some EU policyholders' policies on a run-off basis consistent with EIOPA's guidance. If this route falls away, or local regulators disallow it, the Group may have to take action.

The Group's main regulators are the PRA and the FCA in the UK. Outside the UK, SLIDAC and PLAE are authorised and regulated in Ireland by the CBI. The Group also conducts business outside the UK and Ireland and the law and regulations of a number of other jurisdictions also apply to the Group. These jurisdictions include (but are not limited to) Hong Kong, Germany, Austria, Bermuda and the United States. In particular, SLIDAC sells and administers a significant number of products in Germany and Austria via its German branch. As a result, the Group may be subject to greater regulatory oversight by German and Austrian regulators in respect of its activities in the German and Austrian markets even though the Group does not have an authorised subsidiary in Germany or Austria. Law and regulation (and its interpretation) may change in any of the jurisdictions in which the Group operates or conducts business, combined with political uncertainty or changes in the government, could lead to non-compliance with new requirements which could subsequently impact the quality of customer outcomes, leading to regulatory sanction, leading to adverse effects on the Group's financial performance or reputation.

As a result, existing law and regulation (where the economic or other impact has not yet been fully realised), changes in law and regulation, changes in interpretation or emphasis in respect of existing law and regulation, industry wide changes in approach to regulation, and/or any failure by the Group to comply with applicable law and regulation, may individually or together have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is subject to potential intervention by the FCA, the PRA, the CBI and other regulators on industry wide issues and to other specific investigations, reports and reviews.

Members of the Group are regulated by the PRA, the FCA, the CBI and the Bermuda Monetary Authority (the "**BMA**"). The PRA and FCA each has significant statutory powers in respect of the regulation of the Life Companies authorised in the UK and the other regulated entities in the Group. While regulating the Life Companies and other regulated entities in the Group, the PRA, the FCA, the CBI, the BMA and other regulators may make regulatory interventions using such powers, including thorough investigations, requests for data and analysis, interviews or reviews (including skilled persons' reports under section 166 of FSMA). The PRA, the FCA and the CBI have each adopted an approach of intensive supervision in respect of the life and pensions sector. This is expected to continue. As a result, the Group believes the incidence of regulatory interventions has the potential to increase. The BMA is increasing the levels of scrutiny and intervention which it employs.

The PRA, the FCA and the CBI may also carry out formal "thematic reviews" which are sector wide reviews or other informal sector wide inquiries in respect of a theme or common issue or a particular type of product. While these are not expressly targeted at only the Group, the Group has participated in, and expects to continue to participate in, such reviews from time to time.

Regulatory intervention, including of the sort described above, may lead to the FCA, the PRA, the CBI and/or the BMA (and other relevant regulators or bodies) requiring:

- specific remediation in respect of historical practices (which could include compensating customers, fines or other financial penalties);
- changes to the Group's practices;
- public censure; and/or
- the loss or restriction of regulatory permissions necessary to carry on the Group's business in the same manner as before, as well as changes to the Group's existing practices or approvals to complete acquisitions or to integrate acquisitions fully.

Certain companies in the Group, including the Life Companies and other regulated entities in the Group, are subject to regulation in foreign jurisdictions resulting in potential policyholder claims and regulatory intervention in those jurisdictions. In particular, while no member of the Group is authorised in Germany, SLIDAC has a significant German business. The sale of life and pensions products in Germany is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht.

Such regulatory interventions could have a material adverse effect on the Group's business, results, financial condition and prospects, as well as damaging the Group's reputation.

The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies

The Group is subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of some components of these regimes are still evolving, it is unclear how in future this might affect the Group.

As part of the global regulatory response to the risk that systemically important financial institutions could fail, regimes were established to create recovery and resolution powers for banks in the UK and the European Economic Area ("**EEA**"). These powers include, as part of wider resolution tools, to write down indebtedness or to convert that indebtedness to capital (known as "**bail-in**"), as well as other resolution powers.

The Financial Services and Markets Act 2023 implemented amendments to Section 377 of the FSMA ("**Section 377**") to clarify the write-down power whereby HMT or the PRA or an insurer, a shareholder of an insurer or a

policyholder or other creditor of an insurer (in each case, other than HMT or the PRA itself, with PRA consent) can apply to the court for an order to direct that one or more of an insurer's liabilities is reduced on terms specified in the order. The court is able to make a write-down order if it is satisfied that the insurer is, or is likely to become, unable to pay its debts (within the meaning of the Insolvency Act 1986) and making the order is reasonably likely to lead to a better outcome for the insurer's policyholders and other creditors (taken as a whole) than not making the order. A write-down order may not be made in respect of "excluded liabilities", which would include liabilities such as short-term liabilities, liabilities to pay for goods and services, certain secured liabilities and certain liabilities to employees and pension schemes. The reformed Section 377 power also includes a statutory moratorium on certain contractual termination rights for service and financial contracts. On 14 September 2023, the PRA published PS 12/23 (Dealing with insurers in financial difficulties), which outlines the PRA's approach and expectations in relation to write-down applications. On 23 January 2024, the PRA published a Consultation Paper (CP2/24) outlining its proposals for PRA-regulated insurers to prepare for an orderly 'solvent exit' as part of business-as-usual (BAU) activities, and to be able to execute such a solvent exit, if needed. The consultation has closed on 26 April 2024, and the outcome of such consultation is uncertain as at the date of this Offering Memorandum.

However, the powers set out in FSMA stop short of creating a complete resolution regime, such as is established for banks in the Banking Act 2009. There is, however, increasing interest in the UK and the EEA in creating such a regime for insurance groups. On 26 January 2023, the UK government published a consultation (the "**Consultation**") on a resolution regime for insurers ("**IRR**"). The government proposes to legislate to introduce an IRR which would be similar to the resolution regime for banks under the Banking Act 2009. The Bank of England would be the UK resolution authority for insurers. It is proposed that resolution tools could be triggered if an insurer is failing or likely to fail, if resolution is in the best interests of the public and no other alternative would achieve the same result. The UK government proposes six resolution tools for insurers: (i) the transfer of some or all of an insurer's business to a private sector purchaser; (ii) the transfer of an insurer's business to a bridge institution pending a formal resolution or sale to the private sector; (iii) bail-in powers which could be applied to restructure, modify, limit or write down an insurer's liabilities, subject to exclusions; (iv) the power to place an insurer under temporary public ownership; (v) the power to transfer assets and liabilities to a balance sheet management vehicle with a view to maximising value through sale or a wind-down and (vi) an insurer administration procedure to allow the Bank of England to exercise the proposed private sector purchaser and bridge institution stabilisation powers whilst ensuring that the insurer's critical functions can continue to operate. The Consultation also proposes the introduction of ancillary powers including powers to suspend termination rights, impose distribution restrictions and change management, alongside enhanced resolution planning requirements such as a resolvability assessment framework and the introduction of resolution plans which would set out the Bank of England's preferred resolution strategy for the relevant insurer. The proposed IRR is relevant to most UK-authorised insurers and is therefore likely to be applicable to the Group. In August 2023, the UK government confirmed its intention to implement the IRR. Legislation to enact it is expected to be passed following the next UK general election. Firms are expected to have at least 12 months to comply with the IRR requirements. On 24 January 2024, the Council of the European Union published the proposed compromise wording of a proposal for an EU Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings. Insurers in the Group that are domiciled in EU member-states, such as SLIDAC and PLAE, would be less likely to be directly affected by the IRR, but would probably be in-scope for the proposed EU insurance recovery and resolution directive.

If the financial condition of a UK insurance undertaking in the Group were to deteriorate, it is possible that a write-down order could be made in respect of liabilities of that insurance undertaking and (if the IRR is enacted as proposed) one or more of the IRR resolution tools could be applied in respect of the Issuer or a UK insurance undertaking in the Group or any of the liabilities of that insurance undertaking. This can only take place if one of the UK insurance undertakings in the Group is in very severe financial difficulties. The making of a write-

down order or a resolution order, or the perception that the making of such an order may be imminent, could have a material adverse effect on the Group's reputation, business and prospects.

It is possible that the proposals in the Consultation, if and when enacted, could result in additional costs or compliance burdens for the Group. There remains considerable uncertainty over the final design of the IRR, including any bail-in power it includes, and the proposals in the Consultation could be broadened to include further requirements (for example, a requirement for insurers to maintain minimum levels of eligible liabilities in addition to their existing own funds requirements). This uncertainty has implications for the Group and its creditors, including the Noteholders. See also "*Risks relating to the Notes– The Notes may fall within the scope of bail-in powers if a recovery and resolution regime for insurers is implemented in the UK*".

Insurance Risks, Internal Operations, Management and Third Party Arrangements

The Group may encounter risks resulting from failure to deliver long-term organic cash generation in line with its annual operating plan.

The Group aims to deliver sustainable cash generation by achieving organic growth in excess of the run-off from its in-force business. The Group's annual operating plan commits it to making significant investment in its growth businesses, including propositional enhancements driven by customer insight. The Group's sustainable organic growth is central to the Group's purpose and is fundamental to the delivery of the Group's business plans which assume that organic business growth can offset the run-off from the in-force business and bring sustainability to organic cash generation. Significant negative reputational damage could occur to the Group and confidence in the Group might be diminished if it fails to deliver organic growth in line with targets shared in its annual operating plan, which in turn could have a material adverse effect on the financial condition and prospects of the Group.

The Group is exposed to risks arising from new business.

The Group supports its customers to and through retirement by offering a wide variety of products including workplace pensions, individual pensions, annuities, bonds and protection policies. The Group must ensure its propositions meet the needs of customers and clients in respect of product design, servicing, cost and performance in order to be successful in winning business in a competitive market.

The risks associated with new business include underwriting risk, uncompetitive pricing, operational risk from processing new business including integration to existing systems and processes, conduct risk, risk of increased regulatory supervision (including FCA, PRA and others dependent on where new business is being written) for example in respect of marketing activities and regulatory capital requirements.

Failure to meet new business targets could adversely impact the Group's ability to deliver the growth levels assumed in its business plans, which could in turn cause increased outflows or reduced new business levels and have a material adverse effect on the financial condition and prospects of the Group.

The Group may encounter risks through its participation in the bulk annuity market.

The Group markets bulk annuity policies to the trustees of defined benefit pension schemes. There is a risk that bulk annuity business could generate losses, in particular if longevity expectations are different to those assumed in the pricing of the contracts or if the Group fails to generate sufficient investment returns on the investments supporting the Group's liabilities under such arrangements. To the extent the Group reinsures longevity risk arising from bulk annuity policies or reinsures any other insured risks, this will increase the Group's exposure to reinsurer credit risk with respect to its ability to recover amounts due from reinsurers under such arrangements.

The Group may encounter risks resulting from a lack of capacity and capability to fully deliver its significant change agenda which is required in order to execute the Group's strategic objectives.

The Group's ability to deliver change on time and within budget could be adversely impacted by insufficient resource and capabilities as well as inefficient prioritisation, scheduling and oversight of products. Such risks could materialise within both the Group and its strategic partners and could result in the benefits of change not being realised by the Group in the timeframe assumed in its business plans and the Group being unable to deliver its strategic objectives. Poor change delivery could affect the Group's ability to operate its core processes in a controlled and timely manner, which in turn could have a material adverse effect on the financial condition and prospects of the Group.

The Holding Companies are dependent upon distributions from their subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not in the longer term have sufficient capital or liquid assets to make sufficient distributions to the Holding Companies, or to meet its payment obligations, or they may suffer a loss in value.

The Group's insurance operations are conducted through subsidiaries. The Holding Companies ultimately rely on distributions and other payments from their subsidiaries, including in particular the Operating Life Companies, to meet the funding requirements of Group companies, including in order to make payments of principal and interests on the Notes, as the Holding Companies do not generate a cash surplus from their operations and other activities. The Holding Companies' principal sources of funds are dividends from subsidiaries, inter-company loans from subsidiaries, repayment of inter-company loans that have been made by the Holding Companies to subsidiaries and any amounts that may be raised through the issuance of equity or debt instruments or bank financing. As a result, deterioration in the liquidity and solvency position of the Operating Life Companies, or other members of the Group could, in addition to its impact on the liquidity or solvency position of the individual Operating Life Companies, have in the longer term an adverse impact on the Group's funding or liquidity, which could have a material adverse effect on the Group's financial condition and prospects.

As at 31 December 2023, the Group has ongoing principal repayment and interest payment obligations in respect of approximately £4.2 billion of regulatory capital securities and for any amounts drawn under the Revolving Credit Agreement (as defined herein) (which is currently undrawn), which obligations are expected to be funded by existing cash resources, the release of capital, profits and liquidity from the Group's operating units or through refinancing.

The Issuer is party to a revolving loan facility agreement dated 27 June 2019 between, among others, the Issuer and National Westminster Bank Plc as facility agent (as amended and/or restated from time to time, the "**Revolving Credit Agreement**"). Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate principal amount equal to £1.75 billion (of which £500m may also be used as a multicurrency swingline facility), which bears a floating rate of interest.

Certain of the Holding Companies also have ongoing commitments to make contributions to the Group's pension schemes in accordance with the agreed contribution schedules and to meet their general operating expenses. The availability and amounts of cashflows from subsidiaries, in particular the Operating Life Companies, may be impacted during periods of severe market turbulence by the need to maintain appropriate levels of regulatory capital in the Group. In certain circumstances, such as if a Group company was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection were identified, the PRA or the CBI could intervene in the interests of policyholder security, for example, by imposing restrictions on the fungibility or movement of capital between members of the Group. Moreover, the Issuer may elect to reduce or forgo dividend payments to it from its subsidiaries as a means of maintaining or enhancing

the relevant solo or Group capital position. Although the Holding Companies maintain liquidity buffers to reduce the reliance on emerging cashflows in any particular year, in the event that cashflows from the Group's subsidiaries are limited as a consequence of periods of severe market turbulence, this may in the longer term impair the Group's ability to service these obligations, which would have a material adverse effect on the Group's business, results, financial condition and prospects.

If the Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer and employee data, due to accidental loss, cyber-crime, the occurrence of disasters or other unanticipated events affecting the Group or its service providers, its ability to conduct business may be compromised, which may have an adverse effect on the Group.

The Group uses computer systems to store, retrieve, evaluate and utilise policyholder, employee and company data and information. In certain circumstances, and in certain parts of the Group, the Group's computer, information technology and telecommunications systems, in turn, interface with and rely upon third party systems, including those of third party outsourced service providers. In certain circumstances, the Group's business is highly dependent on its ability, and the ability of certain third parties, to access these systems to perform necessary business functions, including, without limitation, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, providing customer support and managing the Group's investment portfolios. Furthermore, acquisitions by the Group (including the acquisition of SLAL from Standard Life Aberdeen plc ("**Standard Life Aberdeen**" or "**SLA**"), now known as abrdn plc ("**abrdn**"), which completed on 31 August 2018 (the "**SLA Acquisition**"), and the acquisition by the Issuer of the entire issued share capital of ReAssure from Swiss Re Finance Midco (Jersey) Limited ("**Swiss Re**") for total consideration of £3.1 billion in cash and shares (the "**ReAssure Acquisition**")) and the Group's continual growth have significantly increased, the complexity and volume of systems inside the Group, and have therefore increased the likelihood of systems failures or outages which could compromise the Group's ability to perform these functions in a timely manner. This could harm its ability to conduct business and hurt its relationships with its business partners, clients and customers. In the event of a disaster, such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, the Group's systems may be inaccessible to its employees, customers, clients and/or business partners for an extended period of time. The Group's systems could also be subject to physical and electronic break-ins, cyber-crime and subject to similar disruptions from unauthorised tampering. Based on external events and trends, the threat posed by a cyber security breach is significant and the complexity of the Group's increasingly interconnected digital ecosystem exposes it to multiple attack vectors including phishing and business email compromise, hacking, data breach and supply chain compromise. Following COVID-19, the increased use of online functionality to meet customer preferences and future ways of working including remote access to business systems has added additional challenges to cyber resilience and may have an impact on service provision and customer security. The cyber security risk has been heightened in light of the Russia-Ukraine conflict, China-Taiwan tensions and the Israel-Hamas conflict, which have increased cyber threat levels and the likelihood of a cyber-attack from a state actor, particularly on supply chains and the wider financial services industry which the Group relies upon. The Group continues to adapt its approach in order to keep up to date with the latest threats.

The pace of change is accelerating due to the rapid rise of artificial intelligence ("**AI**"), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability and predictability. Quantum computing has also the potential to deliver improved actuarial analysis, portfolio optimisation, risk modelling and management, forecasting and enhanced fraud prevention. It has the ability to arrive at feasible solutions for optimisation problems, or find better accuracies for machine learning problems, or run simulations exponentially faster. However, there are significant risks to consider, such as the potential for quantum computing to be used with malicious intent

against the Group. The Group will seek to become 'quantum-safe' as soon as possible, to minimise the magnitude of emerging threats, including the potential of breaking current encryption systems, which would leave personal data of the Group's customers vulnerable to hackers. Switching from one encryption regime to another will take years to implement with the payoff timeline for incorporating quantum resources currently perceived as being in excess of three years. It is crucial for the Group to develop quantum-resistant encryption algorithms and implement robust security measures to protect sensitive information. There is a potential opportunity to maximise capital preservation and commercial differentiation, by leveraging the exponential growth in data available to the market. Failure to address any risks arising from the developments of AI and quantum computing could have a material adverse effect on the Group's business, results, financial condition and prospects.

In addition, the Group is subject to the risk of accidental loss of data by its employees or outsourced service providers, which could expose the Group to potential liabilities and could negatively impact its relationships with its business partners and customers. The factors described above may impede or interrupt the Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including customer data, which could lead to potential liabilities and damage the Group's reputation. Furthermore, because of the long-term nature of much of the Group's business, accurate records have to be kept for long periods of time, increasing the potential for exposure.

Despite the resilience plans and facilities the Group has in place, the Group's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the Group's business (particularly in relation to the insourced platform for legacy Standard Life products, and the ReAssure Companies' in-house Administration of Life, Pensions, Health and Annuities system ("**ALPHA**")) in the communities in which the Group is located, such as disruption to electrical, communications, internet, transportation or other services used by the Group or third parties with which it conducts business. Any disruption to the Group's systems and communication lines in the future may impact its ability to use its platforms, its ability to service and interact with its clients and its ability to successfully implement contingency plans that depend on such systems or communication lines.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

The development of machine learning and AI may expose the Group to additional regulatory risks.

As computing power advances, the use of automated decision making (be that machine learning, AI or complex decision trees) has increased throughout the insurance industry, including the use of algorithms to help customers make decisions about their future. There is a risk that the data used to drive these decisions contains biases which are not identified or the implications not understood and that, as a result, there is artificial discrimination in the recommended outcomes. For the Group, this could manifest through customers failing to achieve good outcomes and expose the Group to reputational damage and the need to remediate for inappropriate decisions made following the use of such tools. There is also the risk that the Group could be subject to regulatory sanction, most notably from the Information Commissioner's Office but also from the FCA. The materialisation of these risks could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is exposed to risks related to climate change, which could adversely affect its results, customer outcomes and operations.

The physical impact and transition risks of climate change pose potentially significant risks to the Group. The climate risk landscape continues to evolve and is of increasing importance to many regulators, governments, non-governmental organisations and investors. The Group is also exposed to the risk of failing to respond adequately to ESG risks and delivering on its social purpose; for example, failing to meet its sustainability

commitments and targets. A failure to manage ESG risk could result in adverse customer outcomes, reduced employee engagement, reduced proposition attractiveness, reputational risks and litigation.

Governmental and corporate efforts to transition to a low carbon economy in the coming decades could have an adverse impact on global investment assets. In particular, there is a risk that this transition to a lower-carbon economy, including the related changes to technology, law and policies and the speed of their implementation, could result in some sectors facing significantly higher costs and a disorderly adjustment to their asset values, leading to a loss in the value of policyholder and shareholder assets. Conversely, the increasing politicalisation and weakening of government policies in relation to ESG risk could delay the necessary actions to transition to a low carbon economy, making the potential future crystallisation of physical climate events increasingly likely. Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far-reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments. There is also potential that certain climate change risk factors have not yet been fully priced in by financial markets, with the risk that sudden late government policy action in response to a failure to achieve emission goals or any sudden reversal of any ESG policy action could lead to unanticipated and potentially large shifts in asset valuations for industries required to rapidly move to a net zero emissions position. The failure to understand and respond effectively to the physical and transitional risks associated with climate change and to effectively integrate climate considerations into investments decisions could adversely affect the Group's business, results, financial condition and prospects.

Other potential climate risk impacts could emerge for the Group as a result of a transition towards a greener world. This includes regulatory changes, changing customer needs and preferences and climate change driven litigation. Litigation and wider reputational damage could arise from a wide range of factors, including a perception that the Group's climate commitments and targets are inadequate or ineffective, or claims of "greenwashing" if the Group's products or the Group's actions are out of line with obligations set in relation to climate change.

Chronic physical risks such as rising global temperatures and more volatile and severe weather patterns as a result of climate change, may impact operations, supply chains and also demographic risks with the potential for worsening mortality and morbidity rates caused by (*inter alia*) the intensification of the heat waves and sea level rises for example. These potential impacts will require consideration within the Group's pricing and long-term liability matching strategies.

The acute physical risk from climate change can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, impacting demographic experience. Such physical risk may result in disruptions to business operations which may expose residential and commercial properties in certain locations to increased risk of damage and result in a reduction in their market value. This could increase the cost of guarantees in relation to equity release mortgages secured against those residential properties. In addition, there are long-term market, credit, insurance, reputational, propositional and operational implications of physical risks resulting from climate change (e.g. the impact of physical risks on the prospects of current and future investment holdings, along with potential impacts on future actuarial assumptions).

The Group's success will depend upon its ability to attract, motivate and retain diverse and engaged talent.

The calibre and performance of the Group's senior management and other key employees are critical to the success of the Group. The continued success of the Group will depend on its ability to attract, motivate and retain highly skilled management and other personnel, including lawyers, actuaries, portfolio and liability managers, analysts, IT professionals and executive officers. Competition for qualified, motivated and skilled

personnel in the life insurance industry remains significant. Moreover, in order to retain certain key personnel, the Group may be required to increase compensation to such individuals, resulting in additional expenses. Potential periods of uncertainty in relation to this operational risk could result in a loss of critical corporate knowledge, unplanned departures of key individuals, or the failure to attract and retain individuals with the appropriate skills to help deliver the Group's strategy, which could ultimately impact the Group's operational capability, its customer relationships and financial performance.

If the Group is unable to attract, motivate and retain key personnel, its business, results, financial condition and prospects could be materially adversely affected.

If the Group experiences difficulties arising from outsourcing relationships and strategic partnerships, its ability to conduct business may be compromised.

Certain Group companies outsource almost all of their key customer service, policy administration, accounts collection, human resource payroll and administration functions under formal outsourcing arrangements. The Group only enters into outsourcing relationships with firms which the Group believes have the know-how, expertise and business models that put such services at the core of their offerings. In addition, in connection with certain transactions, the Group enters into transitional service arrangements with vendors to supply services back to the holding companies which divested of their businesses to the Group. The businesses acquired through the SLA Acquisition, along with the ReAssure Companies, make use of a number of outsourcing and transitional services arrangements and the Group intends to expand its use of such arrangements in the future, for example by moving around 3 million policies from the ALPHA platform to the Tata Consultancy Services BaNCS™ platform by 2026.

The Group aims to maintain effective systems and controls for outsource providers and transitional service providers in compliance with the Group's ongoing obligations. However, there can be no assurance that such systems and controls will be completely successful in seeking to avoid, or reduce the potential effects of, underperformance. In particular, while the outsourcing and transitional service relationships are carefully monitored, underperformance may also result in breaches of applicable law and regulation, which could result in regulatory intervention. There is also a risk that the providers will not be able to keep up with the pace of legal and/or regulatory change, in which case the Group's operations may become non-compliant.

The Group is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption. This could occur either in-house or within the Group's primary and downstream outsource partners, and be triggered by a range of environmental and climatic factors such as the cost-of-living crisis and adverse weather phenomena. The Group regularly conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes. Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group is already exposed to regulatory censure in the event of operational disruption should the regulator determine that the cause was a breach of existing regulation.

There is a risk that the Group's strategic partnerships do not deliver the expected benefits, leading to adverse impacts to customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. If the Group does not effectively develop, implement and monitor its outsourcing strategy or its transitional services relationships (including any related contingency plans) do not perform as anticipated or the Group experiences problems with transition of service arrangements, the Group may experience disruption to its customers and stakeholders. This may lead to poor investment returns, operational difficulties, increased costs, reputational damage and loss of business that may have a material adverse effect on the Group's business,

results, financial condition and prospects. The high cost barriers to entry and the previous consolidation of the outsourcing industry has led to an increased exposure for the Group to fewer third party policy administration suppliers lessening the number of supply options. In addition, the expected or unexpected decline or insolvency of one or more of the Group's third party service providers leading to a reduced ability, or an inability, to provide relevant services could have a material adverse effect on the Group's ability to sustain its ongoing operations, which could have a material adverse effect on the Group's business, and require the use of effective contingency options to manage the impact on the Group's results, financial condition and prospects.

The Group relies predominantly on third party asset management firms outside the Group to manage its assets (in particular abrdn). Periods of underperformance of the asset management firms appointed by the Group could lead to material redemptions or impact the ability to attract business in the funds of the Group, and the performance of such firms (and therefore the performance of its investments) may be adversely affected by mismanagement of client assets or liabilities and the loss of key investment managers.

The Group relies predominantly on outside third party asset management firms to manage its assets (in particular abrdn). Members of the Group enter into investment management agreements when they appoint third party asset management firms to manage their assets. Such investment management agreements typically contain provisions relating to performance conditions, the breach of which can permit the early withdrawal of assets from third party asset managers. The Group only enters into third party asset management relationships with firms which the Group believes have the know-how, expertise and business models appropriate for the provision of asset management services to the Group. The Group aims to maintain effective systems and controls for third party asset management firms in compliance with the Group's ongoing obligations. However, there can be no assurance that such provisions would be successful in seeking to avoid or reduce the potential effects of underperformance by third party asset management firms.

If the investment performance of the third party asset management firms appointed by the Group represents underperformance relative to other asset management firms, the Group's policyholders may seek to redeem their policies. In addition, the Group derives a significant portion of its income from its share of the appreciation of investments held in shareholder, non-profit and with-profit funds. Therefore, where lower returns on those assets occur, this reduces the level of income derived by the Group. Any of these factors could have a material adverse effect on the Group's business, results, financial condition and prospects.

The performance of the third party asset management firms appointed by the Group are also subject to risks associated with the process of managing client assets and providing asset and liability management services, such as the risk of failure to manage the investment process or execute trading activities properly. Such failure could lead to poor investment decisions, incorrect risk assessments, inappropriate investments being bought or sold and incorrectly monitoring exposures. A failure by asset management firms to effectively manage the Group's assets, interest rate and liquidity risks could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by third party reinsurers' unwillingness or inability to meet its obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement or portfolio transfers. In addition, the unavailability, adverse pricing and/or inadequacy of reinsurance arrangements may adversely affect the Group.

The Operating Life Companies seek, through reinsurance with third parties, to transfer risk to reinsurers (in particular, in relation to the Operating Life Companies, mortality, longevity and morbidity risk) that can cause unfavourable outcomes to its business. In addition, funded reinsurance transactions result in the transfer of asset related risks to reinsurers. As a result, the Group has substantial exposure to reinsurers through reinsurance (or retrocession) arrangements in relation to the Operating Life Companies. Under these arrangements, reinsurers

assume all or a portion of the costs, losses and expenses associated with the reinsured (or retroceded) policies' claims and reported and unreported losses in exchange for a premium, or as part of a sale arrangement. However, the Operating Life Companies generally remain liable as the direct insurer (or reinsurer) on all risks reinsured (or retroceded). Consequently, reinsurance arrangements do not eliminate the Group companies' obligation to pay claims. The Group companies are subject to reinsurer credit risk with respect to their ability to recover amounts due from reinsurers. Even where the reinsurer has an obligation to put up collateral in support of its operations, there can be no certainty that such collateral will satisfy the full amount of the Group's liabilities.

While the Group regularly evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from reinsurer defaults and insolvencies, reinsurers may become financially unsound or choose to dispute their contractual obligations when they become due. Reinsurers may also seek to "cut off" the obligations they owe under the reinsurance arrangements by schemes of arrangement. A scheme of arrangement allows an insurer or reinsurer to achieve finality for its exposure to certain policies by giving creditors a fair valuation of ultimate liabilities (i.e. settling all known claims balances and incurred but not reported balances). A scheme of arrangement may limit the benefit of reinsurance protections and ultimately the amount available to pay out subsequent claims.

In addition, market conditions beyond the Group's control determine the availability and cost of the reinsurance that the Group is able to purchase in the event that the existing reinsurance arrangements prove to be insufficient. Historically, reinsurance pricing has changed significantly from time to time. No assurances can be given that reinsurance will remain continuously available to the Group to the same extent and on the same terms as are currently available or which were available at the time that the current arrangements were established. If the Group were unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that the Group considers sufficient and at prices that it considers acceptable, the Group would have to either accept an increase in its net liability exposure or develop other alternatives to reinsurance.

Third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement and the unavailability, adverse pricing or inadequacy of reinsurance arrangements could have a material adverse effect on the Group's business, results, financial condition and prospects.

The withdrawal of assets from investment management agreements with abrdn companies may expose the Group to purchase price adjustments and other costs or claims.

In August 2018, the Group entered into the Marvel Share Purchase Agreement (the "**Marvel SPA**") and a strategic asset management partnership as part of the SLA Acquisition, which included a purchase price adjustment ("**PPA**"), which applies in connection with withdrawals of certain assets in specific circumstances from SLA's (now abrdn's) management. In February 2021, the Group simplified its strategic partnership with SLA (now abrdn), and extended the core components of the asset management partnership from August 2028 to February 2031. Where a PPA is due, adjustments will be made to the consideration paid by PGH Cayman (as defined below) in respect of the SLA Acquisition.

The arrangements described above could result in the Group incurring a cost which would need to be funded from its internal cash resources from time to time. Any adjustments to the purchase price paid in respect of the SLA Acquisition or any increased regulatory capital requirements in relation to the PPA mechanism may reduce the Issuer's cash resources and/or have an adverse effect on its financial condition and/or a material adverse effect on the Group's business, results, financial condition and prospects.

Changes in actuarial assumptions driven by experience and estimates may lead to changes in the level of reserving and regulatory capital required to be maintained.

The Group has liabilities under bulk purchase agreements, annuities and other policies that are sensitive to future mortality and longevity rates. In particular, bulk purchase agreements and annuities are subject to the risk that annuity holders or pension scheme members (as applicable) live longer, or longevity rates increase, compared to what was projected at the time their policies were issued, with the result that the issuing Life Companies must continue paying out to the annuitants or pension scheme members (as applicable) for longer than anticipated and, therefore, longer than was reflected in the price of the annuity or bulk purchase agreement (as applicable). There may also be increases in the cost of meeting guarantees on policies with a right to convert their policy value into an annuity at a fixed rate and the contributions required to be paid under the Group's defined benefit pension schemes may also increase. Conversely, increased mortality, or higher mortality rates, may increase the number of death claims on term-assurance and protection products.

The Operating Life Companies monitor their actual liability experience against the actuarial assumptions they use and apply the outcome of such monitoring to refine their long-term assumptions. Based on these assumptions, the Operating Life Companies make decisions aimed at ensuring an appropriate build-up of assets and liabilities relative to one another. These decisions include the allocation of investments among fixed-income, equity, property and other asset classes, the setting of any applicable variable policyholder bonus rates (some of which are guaranteed) and the setting of surrender terms. However, because of the underlying risks inherent in actuarial assumptions, it is not possible to determine precisely the amounts that will ultimately be paid to meet policyholder liabilities. Actual liabilities may vary from estimates, particularly when those liabilities do not occur until well into the future. The Operating Life Companies evaluate their liabilities allowing for changes in the assumptions used to establish their liabilities, as well as for the actual claims experience. Any changes in assumptions may lead to changes in the level of capital that is required to be maintained. In the event that the Group's reserving and/or regulatory capital requirements are significantly increased, the amount of cash or other assets available for other business purposes or to meet the Group's financing commitments, including payments under the Notes, may decline.

To the extent that actual mortality, longevity and morbidity rates or other insurance risk experience are less favourable than the underlying assumptions about such rates or experience and it is necessary to increase reserves for policyholder liabilities as a consequence, the amount of additional capital required (and therefore the amount of capital that can be released from the Operating Life Companies in order to service and pay down debt or to finance distributions to their shareholders) and the ability of the Group to manage the Operating Life Companies in an efficient manner may all be materially adversely affected. In particular, there is considerable uncertainty over the rate at which mortality rates will continue to improve in the future. Over time, the Group could incur significant losses if mortality rates improve faster than has been assumed.

In addition, the Group makes assumptions about the rates at which policyholders will surrender or otherwise terminate their policies prior to their maturity date. It is possible that specific factors (like changes to charges applied to surrendering policies or terminations as a result of a corporate transaction or de-branding) or more general macro-economic conditions and interest rate changes may affect surrender and persistency rates. For products with guarantees at maturity, the Group is exposed to the risk that fewer policyholders will terminate their policies prior to their maturity date than assumed, since this will increase the volume of guarantees that are required to be met at maturity. Conversely, for policies with no guarantees, the anticipated future profits obtained from those policies may be curtailed if more policyholders terminate their policies prior to their maturity date than assumed. Surrender rates may also be affected by changes in law and/or regulation.

If the assumptions underlying calculations of reserves are shown to be incorrect (e.g., if policyholders do not die at the rate assumed in actuarial calculations or if the volume of guarantees that are required to be met at maturity is greater than assumed), the Group may have to increase the amount of its reserves or the amount of

risk reinsured. The Group also has obligations towards pension schemes including guaranteed liabilities, annuities and other policies that are sensitive to longevity experience rates. If members live longer than expected, additional capital may need to be held to cover increased pension scheme obligations. Any of these factors could have a material adverse impact on the Group's business, results, financial condition and prospects.

The Group needs to manage its expense risk by carefully controlling maintenance costs required to support the long-term business and ensuring product margins adequately cover acquisition costs on new business. The inability to manage these costs effectively could have an adverse effect on the Group.

The Group is exposed to the risk that the cost of administering and maintaining the long term business increases. This exposure could arise if the Group does not manage, monitor and control its costs carefully. The risk of increased costs of policy administration is mitigated through contractual agreements with outsource service providers. This is not in place for all of the Group's business but work is underway to migrate the administration of the remaining legacy Standard Life and ReAssure business to the Group's preferred outsource provider, providing greater certainty over costs. Maintenance costs remain a source of risk for the Group and examples of how this could crystallise include disproportionate increases in staffing levels relative to business growth, increases in staffing costs from inflationary pressures or inefficient benchmarking, low levels of business growth leading to allocation of fixed overheads across fewer policies, and inefficient organisational design. An inability to manage costs effectively could have a material adverse effect on the Group's business, results, prospects and financial condition. The Group carries out careful monitoring of costs and budgeting through annual operating planning processes. The sale of new policies and generation of new business by the Group may not accurately reflect the costs of acquiring and maintaining the business, which may lead to the particular business product becoming loss making. The setting of pricing assumptions in particular business products is subject to a rigorous governance process. In addition to managing policy costs, the Group is exposed to losses, particularly on historical long-term business as a result of the failure or poor execution of significant operational processes, all of which could have a material adverse effect on the Group's business, results, prospects and financial condition.

Changes in accounting standards may materially adversely affect the Group's statutory financial results and changes to assumptions may lead to increases in the level of provisioning or additional provisions being made in respect of a range of actual, contingent and/or potential liabilities including, but not limited to, tax, and changes in the determination of fair value could have a material adverse effect on the estimated fair value amounts of financial instruments.

The Group's consolidated financial statements are prepared in accordance with UK endorsed IFRS. Changes to IFRS, as applicable to the Group or other applicable accounting standards may result in a change to how the Group's IFRS results are determined and/or may require retrospective adjustment of previously reported results to ensure consistency, which could have an adverse effect on the Group's financial condition and results of operations.

A provision is recognised when the Group has present legal or constructive obligations as a result of a past event and it is probable that an outflow of resources will be required to settle these obligations. Where the Group has present legal or constructive obligations, but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability. Provisions held by the Group, including those relating to tax, may be subject to estimates and may prove inadequate or inaccurate resulting in a material liability. Liabilities may also arise where no provision has been made. In particular, there is a time lag between acquisitions, disposals and other corporate transactions undertaken by the Group and the review of its tax treatment by HM Revenue & Customs ("**HMRC**"). While significant transactions are discussed with HMRC on an ongoing basis, in some cases formal confirmation of HMRC's position cannot be obtained until the relevant tax returns are submitted, which can lead to uncertainty.

If a liability, including tax, were to arise in respect of which there is inadequate or no provision, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

Determination of fair value is made at a specific point in time, based on available market information and judgements about financial instruments, including estimates of the timing and amounts of expected future cashflows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions could have a material adverse effect on the estimated fair value amounts of financial instruments, which could adversely affect the Group's business, results, financial condition and prospects.

Increases in liabilities relating to product guarantees may adversely affect the Group.

In the 1970s and 1980s, when interest rates were higher than they currently are or have been in recent years, UK life insurance companies (including certain of the Life Companies) sold pension contracts that contained certain guarantees or options, including guaranteed annuity options that allowed the policyholder to elect to take the lump sum payable upon the maturity of the pension and apply the funds to purchase an annuity at a minimum guaranteed rate. Whilst there has been an increase in interest rates recently, long-term rates remain relatively low compared to historical levels and life expectancy has increased more rapidly than originally expected. As a result, the Group may have to meet the cost of the mismatch between the performance of the underlying assets and the guaranteed annuity which they are obliged to provide to relevant policyholders.

Similarly, some of the products sold in Germany by PLL contain terms which guarantee certain of the relevant customer benefits. For example, the German with-profits products contain guaranteed annuity terms and roll-up terms. This is particularly relevant where the Group's liabilities under the products are unhedged or cannot be provided for using pre-existing assets like the inherited with-profit estate.

The Operating Life Companies have existing liabilities relating to guarantees and options contained in policies, which are increased by adverse movements in interest rates, increasing life expectancy and the proportion of customers exercising their options. The Group has purchased derivatives that provide some hedge protection against movements in interest rates but not all such interest rate risk is hedged and it may not be possible, feasible or desirable to hedge such risks in the future. The Group is also exposed to counterparty risk in respect of such financial instruments. The most significant factors affecting the cost of these liabilities relating to guarantees and options relative to the provisions made are the number of customers electing to exercise their option to take the more favourable annuity rates, the relative values of any hedge derivatives that may be maintained from time to time, interest rates and the longevity rates of annuity holders.

If the existing mismatch between the performance of the underlying assets and the guaranteed annuity benefits increases, the Group's business, results, financial condition and prospects could be materially adversely affected.

The Group's risk management policies and procedures may not be effective and may leave the Group exposed to unidentified or unexpected risks.

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. As a result, the Group faces the risk of losses, including losses resulting from human error, the payment of incorrect amounts to policyholders due to incorrect administration, market movements and fraud. The Group's risk management methods rely on a combination of technical and human controls and supervision that can be subject to error and failure. Some of the Group's methods of managing risk are based on internally developed controls, models and observed historical market behaviour, and also involve reliance on industry standard practices. These methods may not adequately prevent future losses, particularly if such losses relate to extreme or prolonged market movements, which may be significantly greater than the historical measures indicate. These methods also may not adequately prevent losses due to technical errors if the Group's testing and quality control practices are not effective in preventing technical software or hardware failures.

Ineffective risk management policies and procedures may have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is vulnerable to adverse market perception arising as a result of reputational damage, especially as it operates in a highly regulated industry.

The Group must display a high level of integrity and have the trust and the confidence of its customers and its advisers. Any mismanagement, fraud or failure to satisfy fiduciary responsibilities, or any negative publicity resulting from the Group's activities, the activities of a third party to whom or from whom the Group has licensed its brands or to whom or from whom it has outsourced any services, or any accusation by a third party in relation to the Group's activities (in each case, whether well founded or not) that is associated with the Group or the industry generally (such as those that arose in respect of mortgage endowments, split-capital investment trusts or payment protection insurance), could have a material adverse effect on the Group's results, financial condition and prospects, including:

- reducing public confidence in the Group including shareholder willingness to subscribe for new equity;
- decreasing its ability to retain current policyholders;
- adversely affecting the willingness of counterparties to sell closed-book companies or portfolios to the Group;
- increasing the likelihood that the FCA and PRA or non-UK regulators will not approve acquisitions or insurance business transfers necessary to effect intra-group consolidations of closed-book companies or portfolios or will subject the Group to closer scrutiny than would otherwise be the case;
- increasing costs of borrowing, including in debt capital markets transactions;
- adversely affecting the Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance; and
- decreasing customers' willingness to invest in or acquire particular products.

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years. It is not always possible to deter or prevent employee misconduct and the precautions the Group takes to prevent and detect this activity may not be effective in all cases. The Group therefore runs the risk that employee misconduct could occur, with possible adverse effects on the Group as set out above.

The Group is also exposed to the risk that it fails to deliver fair outcomes for its customers, leading to adverse customer experience and/or potential detriment. Such matters could lead to reputational damage and/or have a material adverse effect on the financial condition of the Group.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

The costs and effects of threatened, pending or future legal or arbitration proceedings, including with any of the Issuer's major shareholders, or adverse developments with respect thereto, could have a material adverse effect on the Group's business, results, financial condition and prospects.

From time to time, the Group is party to or is threatened with legal or arbitration proceedings in respect of which monetary damages, compensation or specific performance can be sought.

As a consolidator of life and pensions books, the Group enters into share purchase and other acquisition agreements from time to time, as well as transitional service arrangements with sellers to supply services to, or for the supply of services by, businesses which are sold to the Group as part of the process of separation from the seller. The Group may also enter into longer term arrangements as part of an ongoing relationship. If there are disagreements over the terms of such agreements, such transitional services and other arrangements do not perform as anticipated or the cost of such arrangements is not as anticipated, disputes may arise between the Group and its counterparties and the Group may threaten, or be threatened with, legal or arbitration proceedings from time to time.

The Group's management cannot predict with certainty the outcome of pending or threatened legal or arbitration proceedings or potential future legal or arbitration proceedings, and the Group may incur substantial expense in pursuing or defending these proceedings. Potential liabilities may not be covered by insurance, the Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Group's insurance coverage may be inadequate. Moreover, even if claims brought against the Group are unsuccessful or without merit, the Group would have to defend itself against such claims (the costs of which are unlikely to be fully recoverable, even if the Group were to successfully defend such claims). The defence of any such actions may be time consuming and costly, may distract the attention of management and potentially result in reputational damage. As a result, the Group may incur significant expenses and may be unable to effectively operate its business. Accounting provisions recognised by the Group in its financial statements may prove to be insufficient. Any of the above and any adverse outcomes and reputational damage arising out of any such proceedings could have a material adverse effect on the Group's business, results, financial condition and prospects.

Risks relating to integration following acquisitions

The Group may be unable to integrate past or prospective acquisitions successfully and/or in a timely manner, which could materially adversely affect the Group's growth.

Acquisitions may strain the Group's management and financial resources. Among the risks associated with the integration of acquisitions that could materially adversely affect the Group's growth, are the following:

1. the Group may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses, such as costs and issues relating to monitoring, hiring and training of new personnel or the integration of accounting and internal control systems;

2. Information Technology ("**IT**") infrastructure and data elements of the integration process may fail or not be managed so as to achieve the Group's operational objectives;

3. the Group may incur costs associated with revamping or rebranding newly acquired businesses or developing appropriate risk management and internal control structures for operations in a new market, or understanding and complying with a new regulatory scheme;

4. increased investments may be needed in order to understand new markets and follow trends in these markets in order to effectively compete; and

5. an acquisition may not achieve anticipated synergies or other expected benefits, including as a result of the termination of material contracts of the target business due to change of control mechanisms in place.

Following the integration of an acquired business into the Group, such acquired business may not be able to generate the expected margins or cash flows. For further information on the risks associated with acquisitions more generally, see "*Risks Relating to the Group – Economy and Financial Markets—Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute future acquisitions and disposals, which could have an adverse effect on the Group*" above.

The Group's success may depend, in part, upon its ability to integrate any businesses it purchases into its existing businesses. The Group has limited management resources and thus may become distracted or overstretched by the process of migrating/transitioning acquisitions and managing the Group.

The Group completed the Sun Life Acquisition (as defined in the "*Information on the Group – History*" section) on 3 April 2023 and has moved to transition the SLOC business into the Group. SLOC operates a predominantly outsourced business model with the majority of its policy administration already undertaken by the Group's strategic outsourcing partner (TCS Diligenta), which supports a simplified operational integration programme. Significant existing resources are being used to complete the SLAL and ReAssure integrations.

The Group continues to develop its partnership with TCS to support its strategic deliverables, and further customer migrations to the TCS BaNCS™ platform are planned through to 2026. The transition of acquired businesses into the Group, including customer migrations, could introduce structural or operational challenges that, without sufficient controls, could result in the Group failing to deliver the expected outcomes for customers or value for shareholders. Similar considerations may also be relevant in respect of any future acquisitions entered into by the Group. To the extent that the Group's management is unable to efficiently transition the various operations within proposed timeframes, realise anticipated cost reductions, retain qualified personnel or customers and avoid unforeseen costs or delay, there may be an adverse effect on the business, results of operations, financial condition and/or prospects of the Group. There is a risk that the challenges associated with migration and integration or transition under any of the circumstances above, and/or those associated with other actual or potential acquisitions, may result in overstretch of management and the deferral or reduced effectiveness of certain planned management actions. Consequently, the Group's business may not perform in line with management expectations, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Other Risks

The Group could be materially adversely affected by its indebtedness.

The Group's indebtedness and restrictions on the Group under the terms of its notes and the Revolving Credit Agreement could have a material adverse effect on the Group, including:

- requiring the Group to dedicate a substantial portion of its cashflow to payments on its debt;
- restricting the Group from pursuing potential acquisition opportunities or preventing the Group from being able to obtain regulatory approval for a potential acquisition opportunity;
- exposing the Group to changes in interest rates, which can impact the price of fixed rate debt or the interest cost of variable rate debt (if any);
- placing the Group at a competitive disadvantage compared to its competitors that have lower levels of indebtedness;
- the Group losing its investment grade rating;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry; and
- limiting, among other things, the Group's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

The Group may need to refinance the remaining outstanding principal amount of its notes and credit facilities (if applicable) either on terms which could potentially be less favourable than the existing terms or under unfavourable market conditions.

On the other hand, the Group's leverage has a positive effect on the Group's value through the beneficial impact of the tax deductibility of interest and so any significant reduction in its indebtedness and associated interest costs may have an adverse impact on the Group's value as a consequence of higher tax payments than currently projected by the Group. There can be no assurance that the Group will, in the future, continue to benefit from tax deductions for its interest costs to the same extent.

The level of the Group's indebtedness and financing structure could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

The finance facilities that the Group has entered into include covenants that may restrict the Group from taking certain business actions and/or implementing its business strategies.

The agreements that govern the Group's finance facilities contain certain restrictions limiting its flexibility in operating its business, including restrictions that limit the Group's ability to:

- create liens;
- borrow money; and
- sell or otherwise dispose of assets.

These restrictions could in the longer term hinder the Group's ability to implement its business strategies. The Group is also subject to other financial and non-financial restrictions that may limit its ability to pay dividends. In addition, a breach of the terms of the Group's finance facilities could cause a default under the terms of those finance facilities, causing some or all of the debt under those financing arrangements to become due prior to its scheduled maturity date.

Changes in taxation law may adversely impact the Group.

There are specific rules governing the UK taxation of policyholders. The Group's management cannot necessarily predict the impact of future changes in tax law on the taxation of life and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decisions of policyholders, and could have a material adverse effect on the Group's business, results, financial condition and prospects.

More generally, UK and overseas taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes, value added taxes and other indirect taxes. The Group's management cannot predict the impact of future changes in UK and overseas tax law on its business. From time to time, changes in the interpretation of existing UK and overseas tax laws, amendments to existing tax rates, changes in the practice of tax authorities, or the introduction of new tax legislation in the UK or overseas may adversely impact the Group's business, results, financial condition and prospects.

The effect of future changes in tax legislation on specific products may have an adverse effect on the Group and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations.

The design of long-term insurance and annuity products is predicated on tax legislation applicable at that time. However, future changes in tax legislation or in interpretation of the legislation may, when applied to these products, have a material adverse effect on the financial condition of the relevant Group companies in which the business was written and therefore have a material negative impact on policyholder and the Group's returns.

The design of long-term products takes into account, among other things, risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. Policyholders may seek legal redress where a product fails to meet their reasonable expectations. An adverse outcome of such legal redress and reputational damage arising

out of such legal redress could have a material adverse effect on the Group's business, results, financial condition and prospects.

Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group.

Group companies currently do not pay significant amounts of value added tax ("**VAT**") in respect of services they receive under their outsourced services agreements for policy administration. If the amount of VAT payable were to increase then this would increase the Group's costs to the extent that the relevant agreements did not contain adequate protection against VAT being charged or increased. VAT charged on goods and services is largely irrecoverable for financial services groups such as the Group.

Services supplied under the outsourced services agreements are largely exempt from VAT under the UK's insurance intermediaries' exemption. The United Kingdom government could change the exemption which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Risks relating to the Notes

Risks relating to the structure of the Notes

The Issuer's obligations under the Notes are subordinated

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

The rights and claims of the Noteholders (and the Trustee on their behalf) will be subordinated to the claims of Senior Creditors (as defined in the Conditions) in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, 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, throughout such winding-up or administration, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in the winding-up or administration to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) 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 or administration 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 but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

Although the Notes may potentially pay a higher rate of interest (subject always to the Issuer's right and, in certain circumstances, obligation to cancel interest payments under the Conditions) than comparable notes which are not subordinated, there is a significant risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

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

In addition, investors should be aware that, upon the occurrence of a Trigger Event (and unless the PRA waives Automatic Conversion in exceptional circumstances), the Notes will be subject to an Automatic Conversion, pursuant to which the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged. Therefore, there is a risk that Noteholders will lose the entire amount of their investment in the Notes, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. See also *"Risks relating to the structure of the Notes – Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes"*.

The Issuer is a holding company and Noteholders are structurally subordinated to the creditors of the Issuer's subsidiaries

The Issuer is the parent company of the Group. The operations of the Group are conducted by the operating subsidiaries of the Issuer. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends to the Issuer) to Noteholders in respect of any payment obligations of the Issuer under the Notes. As the equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in, or other lien on, their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes

The Notes are being issued for capital adequacy-related regulatory purposes with the intention and purpose of being eligible as restricted tier 1 capital of the Issuer and the Insurance Group under Solvency II. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions.

One of these relates to the ability of the liability represented by the Notes to be permanently released in consideration of the issue of Conversion Shares upon a Trigger Event occurring. A Trigger Event will occur if the Issuer determines at any time that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.[1]

Under the terms of the Notes, if at any time a Trigger Event occurs (unless the PRA waives Automatic Conversion in exceptional circumstances as provided in the Conditions), all accrued and unpaid interest will be cancelled irrevocably and (other than in exceptional circumstances further specified in the Conditions) the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged and the Notes will be cancelled in consideration of the issue of Conversion Shares. In such circumstances, the Noteholders will have no rights against the Issuer with respect to repayment of the principal amount of the Notes or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Notes and/or the Trust Deed, whether in an Issuer Winding-Up or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Notes at any time. Accordingly, if a Trigger Event occurs, Noteholders will lose all or part of the value of their investment in the Notes. Following an Automatic Conversion, Noteholders will receive only (i) the Conversion Shares (if the Issuer elects that a Conversion Shares Offer will not be made or the relevant Noteholder elects to receive the

[1] Information on the Solvency II capital position of the Group is set out in the documents incorporated by reference into this Offering Memorandum. The Group's MGSCR coverage ratio as at 31 December 2023 was 362 per cent. (31 December 2022: 361 per cent.).

Conversion Shares); or (ii) the Conversion Shares Offer Consideration, which shall be comprised entirely of Conversion Shares or cash depending on the results of the Conversion Shares Offer, and the realisable value of any Conversion Shares received is expected to be significantly less than the Conversion Price. In addition, the realisable value of any Conversion Shares received could be substantially lower than that implied by the price paid for the Notes at the time of their purchase.

The Automatic Conversion may occur irrespective of whether the Issuer has sufficient assets available to settle the claims of the Noteholders of the Notes or other securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. As a result, Noteholders may have no claim for principal in the event of an Issuer Winding-Up, even though other securities that rank equally in priority may continue to have such a claim and the Issuer may have sufficient assets to satisfy the claims of Noteholders of other subordinated debt of the Issuer.

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

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

The occurrence of a Trigger Event and, therefore, Automatic Conversion is to some extent unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control, including actions that the Issuer is required to take at the direction of the PRA and regulatory changes. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Any indication or perceived indication that the Issuer or the Group may be at risk of failing to meet its Solvency Capital Requirement or Minimum Capital Requirement may have an adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily (if at all) or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities.

Investors will not be able to monitor whether or not the Issuer or the Insurance Group will meet their respective Solvency Capital Requirements or Minimum Capital Requirements on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

Changes to Solvency II may increase the risk of the occurrence of a Trigger Event, cancellation of interest payments, suspension of any redemption of the Notes or the occurrence of a Capital Disqualification Event

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

of its investment in the Notes. Conversely, such changes may increase the risk of the occurrence of a Capital Disqualification Event (and increase the risk of redemption of the Notes by the Issuer).

As the Conversion Price is fixed at the time of issue of the Notes, Noteholders will bear the risk of fluctuations in the market price of the Conversion Shares

As a Trigger Event will only occur at a time when there is a significant deterioration in the amount of Own Fund Items to cover the Solvency Capital Requirement or the Minimum Capital Requirement, a Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Trigger Event. The realisable value of the Conversion Shares is expected to be significantly below the prevailing Conversion Price at such time. The Conversion Price is fixed (subject to limited adjustment in accordance with Condition 6) at the time of issue of the Notes. The Conversion Price does not reflect the market price of the ordinary shares of the Issuer, which is currently and could continue to be significantly lower than the Conversion Price.

In addition, there may be a delay in a Noteholder receiving its Conversion Shares following a Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the period of the Conversion Shares Offer may last up to 40 Business Days from the Conversion Date), during which time the market price of the ordinary shares of the Issuer may further decline.

Noteholders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon an Automatic Conversion following a Trigger Event

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary and a Noteholder does not elect to receive the Conversion Shares, then Noteholders may not ultimately receive Conversion Shares upon an Automatic Conversion following a Trigger Event.

The Conversion Shares Offer may be conducted at the election of the Issuer on the terms set out in the Conditions. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's and the Insurance Group's financial stability.

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, Noteholders who do not elect to receive Conversion Shares in accordance with the Conditions shall be entitled to receive, in respect of each Note, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note. The cash component of any Conversion Shares Offer Consideration shall be subject to deduction of any foreign exchange transaction costs and an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of the Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer.

Furthermore, the Issuer or the Conversion Shares Depositary will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, notwithstanding that the Conversion Shares Offer Consideration will be delivered to any Noteholder either fully in cash or fully in Conversion Shares, Noteholders would not know the cash amount (if applicable) of the Conversion Shares Offer Consideration to which they may be entitled until the end of the period of the Conversion Shares Offer.

Prior to the Conversion Date, Noteholders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and the exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under Condition 6. Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

Noteholders will have to comply with certain procedures to receive delivery of the Conversion Shares or Conversion Shares Offer Consideration following an Automatic Conversion

In order to obtain delivery of the relevant Conversion Shares or Conversion Shares Offer Consideration following an Automatic Conversion, a Noteholder must comply with certain procedures previously notified to the Noteholders. Such procedures may include providing notices to the Conversion Shares Depositary and providing details of the clearing system account to which any Conversion Shares or Conversion Shares Offer Consideration should be delivered. Any Noteholder taking such action after the cut-off date for such actions notified to the Noteholders will have to provide evidence of its entitlement to the relevant Conversion Shares or Conversion Shares Offer Consideration satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares or Conversion Shares Offer Consideration.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

Noteholders may be subject to disclosure obligations and/or may need approval from the Issuer's regulator under certain circumstances.

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

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of regulated group entities, under the laws of the UK and other jurisdictions, ownership of the Notes themselves (or the Conversion Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Trigger Event.

Noteholders may be subject to taxes following an Automatic Conversion

Neither the Issuer nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

The Conversion Price is fixed at the time of issue of the Notes and will be subject to adjustment only in response to a limited number of events

Subject to certain limited provisions set out in the Conditions, the Conversion Price is fixed on the Issue Date. If the Issuer proposes any Adjustment Event (as defined in the Conditions) the Issuer shall appoint an Independent Adviser (as defined in the Conditions) to make any adjustment that such Independent Adviser determines, without regard to any pre-determined formula, is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders.

The occurrence of a Trigger Event is linked to a deterioration in the regulatory solvency position of the Issuer and/or the Insurance Group and, therefore, its occurrence will likely be accompanied and preceded by a deterioration in the value of the Conversion Shares. Therefore, if a Trigger Event were to occur, investors would receive Conversion Shares or, as the case may be, Conversion Shares Offer Consideration, at a time when the value of the Conversion Shares is diminished. In addition, there may be a delay in a Noteholder receiving its Conversion Shares (if any) following a Trigger Event, during which time the value of such shares may decline further. As a result, the realisable value of the Conversion Shares may be below the Conversion Price. Although the market value of such shares may increase over time, they may never be equal to the principal amount of the Notes converted. Despite potentially receiving Conversion Shares, it is possible that investors in the Notes may nevertheless lose some or substantially all of their investment in the Notes.

The Conversion Price does not reflect the current market price of the ordinary shares of the Issuer

The Conversion Price does not reflect the market price of the ordinary shares of the Issuer, which is currently, and could continue to be, significantly lower than the Conversion Price. As at 6 June 2024 the closing secondary market price of an ordinary share of the Issuer on the London Stock Exchange was £4.99, whereas the Conversion Price is U.S.$1,000 per Conversion Share (subject to adjustment in accordance with the Conditions) (i.e. the Conversion Price is approximately 200 times higher than the share price as at such date), which is different from the approach adopted in many other conversion-style tier 1 instruments that an investor may hold or purchase. Accordingly, following a Trigger Event the number of Conversion Shares potentially to be received by a Noteholder is expected to be very low relative to the nominal amount of the Notes held by such Noteholder and not expected to be representative of the current or future market price of such Conversion Shares.

Other capital instruments issued by the Issuer may not absorb losses at the same time, or to the same extent as the Notes

The terms and conditions of other regulatory capital instruments issued from time to time by the Issuer or any of its subsidiaries may vary and accordingly such instruments may not convert into equity or be written-down at the same time, or to the same extent, as the Notes, or at all. Further, regulatory capital instruments issued by a member of the Group with terms that require such instruments to be converted into equity and/or written-down when a solvency or capital measure falls below a certain threshold may have different capital or solvency measures for triggering a conversion or write-down to those set out in the definition of Trigger Event or may be determined with respect to a group or sub-group of entities that is different from the Group, with the effect that they may not be converted into equity and/or written down on the occurrence of a Trigger Event. Therefore, the Notes may be subject to a greater degree of loss absorption than would otherwise have been the case had such other instruments been written down or converted at the same time as or prior to the Notes.

Restricted remedy for non-payment when due

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

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

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

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

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

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

Therefore, Noteholders do not have the ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem or purchase the Notes in accordance with the Conditions, (ii) by selling to other market participants their Notes, (iii) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Notes but fails to make payment in respect of such redemption when due, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors or (iv) upon a winding-up, liquidation or administration of the Issuer, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of the actions described in (iii) and (iv) above may be substantially less than the principal amount of the Notes or amount of the investor's investment in the Notes. See also "*Risks relating to the market generally - The secondary market generally*".

In addition, the Conditions set out certain Redemption and Purchase Conditions, including in relation to the Solvency Capital Requirement and the Minimum Capital Requirement being met immediately prior to the redemption or purchase of the Notes. If the Redemption and Purchase Conditions are not met, the Issuer may not redeem or purchase any Notes and the redemption or purchase of the Notes shall instead be suspended, as provided in the Conditions.

Payments by the Issuer are conditional upon the Issuer being solvent

Other than where an Issuer Winding-Up has occurred or is occurring or where a Trigger Event has occurred, all payments (other than any cash component of the Conversion Shares Offer Consideration and subject also to Condition 3(*c*) (*Trustee's Fees*)) under or arising from the Notes (including any damages for breach of any obligations under the Trust Deed) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due and payable by the Issuer in respect of or arising from the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due and payable but for the

inability to comply with the Solvency Condition shall be cancelled in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*).

Interest Payments on the Notes are discretionary

Interest payments on the Notes are discretionary and the Issuer may cancel interest payments, in whole or in part, at any time (save where a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Issuer's Own Fund Items but the Issuer has not exercised its option to redeem such Notes, in which case the Issuer shall not, to the extent permitted by the Relevant Rules, exercise such discretion). Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer and is subject to Condition 3(d) (*Solvency Condition*), Condition 5(b) (*Mandatory Cancellation of Interest*) and Condition 6 (*Automatic Conversion*). The Issuer may at any time elect to cancel any interest payment, in whole or in part, which would otherwise be due and payable on any Interest Payment Date. At the time of publication of this Offering Memorandum, it is the intention of the Directors to take into account the relative hierarchy of its ordinary shares and the (more senior) Notes whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the Directors may depart from this policy at any time in their sole discretion.

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

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

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

The Issuer must cancel any interest payment on the Notes in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*) in the event that, *inter alia*, the Issuer cannot make the payment (including, if applicable, any Additional Amounts) in compliance with the Solvency Condition, the Solvency Capital Requirement or the Minimum Capital Requirement, or where the interest payment would, together with any Additional Amounts payable with respect thereto, exceed the amount of the Issuer's Distributable Items (as defined in the Conditions) as at the time for payment, or if required to cancel any interest payment by the PRA or under the Relevant Rules (as defined in the Conditions). As at 31 December 2023, the Issuer's Distributable Items were £4,621 million (31 December 2022: £5,062 million).

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

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

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

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

The ability of the Issuer's operating subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's operating subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. In particular, in certain circumstances, such as if a Group company was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection were identified, the PRA or the CBI could intervene in the interests of policyholder security, for example, by imposing restrictions on the fungibility or movement of capital between members of the Group.

The Notes may fall within the scope of bail-in powers if a recovery and resolution regime for insurers is implemented in the UK

As discussed in "*The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies*" above, it is possible that in the future a recovery and resolution regime could be implemented for insurers. If such a regime is implemented in the UK, there is a risk that Notes would fall within the scope of "bail-in" powers which may be exercised by the resolution authority pursuant to such regime in order to reduce or defer the liabilities of the Issuer, the Group and/or any subsidiary of the Issuer. These bail-in powers could include the ability to cancel or write down (in whole or in part) the Notes, to convert the Notes into shares (in whole or in part) or to modify the terms of the Notes. The circumstances in which any such bail-in powers could be exercised in respect of the Notes are likely to be different from the circumstances in which an Automatic Conversion could occur. In the event of such a bail-in, Noteholders may lose some or all of their investment in the Notes.

The Issuer's interests may not be aligned with those of investors in the Notes

The Issuer's satisfaction of the Solvency Condition and the availability of Distributable Items as well as there being no occurrence of a Trigger Event and/or a Capital Disqualification Event will depend in part on decisions made by the Issuer and other entities in the Group relating to their businesses and operations, as well as the management of their capital positions.

The Issuer and other entities in the Group will have no obligation to consider the interests of Noteholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Group and the Group's structure. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event or a Capital Disqualification Event. It may decide not to propose to its shareholders to reallocate share premium to a distributable reserve account or to take other actions necessary in order for share premium or other reserves or earnings to be included in Distributable Items. Moreover, in order to avoid the use of public resources, the PRA may decide that the Issuer should allow a Trigger Event or Capital Disqualification Event to occur or should

cancel an interest payment at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer or any other entity of the Group relating to decisions that affect the capital position of the Group, regardless of whether they result in the occurrence of a Trigger Event or a Capital Disqualification Event or a lack of Distributable Items or breach of the Solvency Condition. Such decisions could cause Noteholders to lose the full amount of their investment in the Notes.

The interest rate on the Notes will be reset on each Reset Date, which may affect the market value of the Notes

The Notes will initially accrue interest at the Initial Fixed Interest Rate to, but excluding, the first Reset Date. From, and including, the first Reset Date, however, the interest rate will be reset on each Reset Date to the Reset Rate of Interest (as described in Condition 4(e) (*Determination of Reset Rate of Interest*). This Reset Rate of Interest could be less than the Initial Fixed Interest Rate, which could affect the amount of any interest payments under the Notes and the market value of an investment in the Notes.

As the Notes bear interest at a fixed rate (reset from time to time), an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

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

Subject, *inter alia*, to the solvency of the Issuer, to compliance with the Solvency Capital Requirement and Minimum Capital Requirement and to satisfaction of the Regulatory Clearance Condition, the Issuer may redeem all (but not some only) of the Notes at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Such redemption may occur (i) at the option of the Issuer on any day falling in the period commencing on (and including) 12 December 2029 and ending on (and including) the First Reset Date or any Interest Payment Date thereafter, (ii) at any time in the event of the occurrence of a Tax Event, (iii) at any time following the occurrence of (or if there will occur within the forthcoming period of six months) a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event or (iv) at any time following a clean-up redemption at the option of the Issuer pursuant to Condition 8(k).

The Issuer shall only be entitled to redeem the Notes upon the occurrence of a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event, if (amongst other conditions) it was reasonable for the Issuer to conclude, judged at the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 (*Further Issues*) and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, that such event was not reasonably foreseeable.

The right of the Issuer to redeem the Notes in certain circumstances may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, or in the case of an actual or perceived increased likelihood that the Issuer may elect, the market value of the Notes generally will not rise above the price at which they can be redeemed.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variation or substitution of the Notes without Noteholder consent

Subject as provided in Condition 8 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Securities (i) in the event of the occurrence of a Tax Event or (ii) following the occurrence of (or where there will occur within six months)

a Capital Disqualification Event or an Accounting Event. Following the occurrence of (or where there will occur within six months) a Ratings Methodology Event, the Issuer may elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Securities.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Securities and/or Rating Agency Compliant Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Securities and/or Rating Agency Compliant Securities are not materially less favourable to investors than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such variation or substitution (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

Modification, waivers and substitution

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

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to subject to the Issuer having first satisfied the Regulatory Clearance Condition (i) 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 in each case in the circumstances described in the Conditions.

In the event of any such modification or substitution, the Trustee shall be entitled to agree to amendments of the terms of the Notes and the Trust Deed without the consent of the Noteholders. Such substitution provisions may be used in a variety of circumstances including (without limitation) at the time of the establishment of a UK holding company for the Group. Furthermore, if requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason, the Trustee shall promptly agree, without the consent of the Noteholders, to the substitution of the Insurance Group Parent Entity (which may or may not be an entity which currently exists or whose identity is currently known) in place of the Issuer or any previous substitute under Condition 14 as principal debtor under the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes. If a Newco Scheme occurs, the Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the Issuer. Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

No guarantee would be provided by the Issuer in respect of the Notes following such a substitution, and the claims of Noteholders may be further structurally subordinated to the claims of other creditors of the Insurance Group as a result of such a substitution, including creditors in respect of any outstanding issuances of the Issuer whose terms do not allow for an Insurance Group Parent Entity Automatic Substitution or that do allow Insurance Group Parent Entity Automatic Substitution but for which the Issuer elects not to exercise its right to substitute the Issuer. There can be no assurance that any such substitution will not adversely affect the market value of the Notes or that the Issuer will elect to exercise its right to substitute the Insurance Group Parent Entity in place of the Issuer in respect of all outstanding issuances where the Issuer has the right to do so.

No limitation on the Issuer issuing further securities

There is no contractual restriction on the Issuer creating liabilities ranking equally with or senior to the Notes and no restriction on the amount of securities which the Issuer may issue or guarantee (as applicable), which securities or guarantees rank *pari passu* with the Notes. The issue, guarantee or granting of security in relation

to any other liabilities may reduce the amount recoverable by Noteholders on an Issuer Winding-Up. In an Issuer Winding-Up and after payment of the claims of their respective more senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders under the Notes.

The terms of the Notes contain very limited covenants

There is no negative pledge in respect of the Notes. The Issuer is generally permitted to sell or otherwise dispose of any or substantially all of its assets to another corporation or other entity under the terms of the Notes. If the Issuer decides to dispose of a large amount of its assets, investors in the Notes will not be entitled to declare an acceleration of the maturity of the Notes, and those assets will no longer be available to support the Notes.

In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Notes.

The Notes are denominated in integral multiples

The Notes have denominations consisting of a minimum principal amount of U.S.$200,000 (the "**Specified Denomination**") plus integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of the Specified Denomination that are not integral multiples of such Specified Denomination. In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the Specified Denomination in his account with the relevant clearing system at the relevant time would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

Change of law

The terms of the Notes and the Trust Deed are based on law in effect as at the relevant Issue Date. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of issue of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Issuer may not be liable to pay certain taxes

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction is required by law. In that event, in respect of

payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders in respect of payments of interest after the withholding or deduction shall equal the amounts which would have been receivable in respect of interest on the Notes in the absence of such withholding or deduction.

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in the Conditions.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

Risks relating to the market generally

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

The secondary market generally

The Notes may have no trading market when issued and one may never develop. If a market develops, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes as the Notes are publicly traded securities which may from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. Such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors. If any market in the Notes has developed, or does develop, it may become severely restricted, or may disappear, if the financial condition and/or the solvency position of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes or of a Trigger Event occurring.

Interest rate risk

Investment in the Notes involves the risk that changes in market interest rates after the issue date may adversely affect the value of the Notes.

In particular, a holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). Potential movements in the Market Interest Rate over the life of the Notes are difficult to predict. While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. 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 U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars 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 U.S. dollars 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.

Credit ratings may not reflect all risks

Given the existing debt in the Group and its acquisitive nature, the business is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit rating supplied by Fitch or any other rating agency that may rate the Issuer from time to time. As at the date of this Offering Memorandum, any downgrading of the rating by Fitch or such other relevant rating agency could increase the Group's borrowing cost and consequently may weaken its market position. Changes in methodology and criteria used by Fitch or such other relevant rating agency could result in downgrades that do not reflect changes in the general economic conditions or the Issuer's financial condition.

Effect of credit rating reduction

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's outstanding securities by standard statistical rating services. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes. See also the risk factor entitled *"Credit ratings may not reflect all risks"* above.

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

The Notes will be issued in global form. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg and will receive and provide any notices only through Euroclear or Clearstream, Luxembourg.

While the Notes remain in global form, the Issuer, will discharge its payment obligations under the Notes by making payments to the order of the registered holder as nominee for the common depositary for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Notes held through Euroclear or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the U.S.$500,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) was (save in respect of any such further notes) authorised by resolutions of the board of directors of Phoenix Group Holdings plc (the "**Issuer**", which term shall include any substitute therefor from time to time pursuant to the terms of Condition 14) passed on 22 November 2023.

The Notes are constituted by a trust deed dated 12 June 2024 (the "**Trust Deed**") between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the paying agency agreement dated 12 June 2024 (the "**Agency Agreement**") relating to the Notes between the Issuer, the Trustee, Citibank Europe plc as registrar (the "**Registrar**", which expression shall include any successor thereto) and Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**", which expression shall include any successor thereto and any additional transfer agents appointed thereunder), as initial agent bank (the "**Agent Bank**", which expression shall include any successor thereto) and as initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the "**Paying Agents**", which expression shall include any successors thereto) are available for inspection during usual business hours at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Title

(a) Form and Denomination

The Notes are issued in registered form in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the "**principal amount**" of a Note, and references in these Conditions to "**principal**" in relation to a Note shall be construed accordingly) without coupons attached. A certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar (the "**Register**") on which shall be entered the names, addresses and account details of Noteholders and the particulars of the Notes held by them and of all transfers and repayments of Notes.

(b) Title

Title to the Notes passes only by transfer and registration in the Register. The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its

absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person against whose name a Note is registered in the Register (or, in the case of joint holders, the first named thereof). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

2 Transfers of Notes and Issue of Certificates

(a) Transfers

Subject to Conditions 2(*d*) and (*e*), each Note may be transferred (in whole or in part, subject to such transfer being in a minimum denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof) by depositing the Certificate issued in respect of that Note, together with the form of transfer in respect thereof duly completed and executed at the specified office of the Registrar or a Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons not exceeding four in number) or a nominee.

(b) Delivery of new Certificates

Each new Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Transfer Agent of the duly completed, executed and (where applicable) stamped form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note (but free of charge to the Noteholder) to the address specified in the form of transfer. The form of transfer shall be available at the specified offices of the Transfer Agents.

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

(c) Formalities free of charge

Registration of transfer of any Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Registrar or the relevant Transfer Agent being satisfied with the documents of title and/or the identity of the person making the application.

(d) Closed periods

No Noteholder may require the transfer of a Note (or part thereof) to be registered (i) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(*f*), (ii) after the Notes have been called for redemption pursuant to Condition 8 or (iii) during the period of seven days ending on (and including) any Record Date (as defined below).

(e) Regulations

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

3 Status of the Notes

(a) Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Conditions 6 and 11.

(b) Issuer Winding-Up

The rights and claims of the Noteholders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, 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, throughout such winding-up or administration, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in the winding-up or administration to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) 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 or administration 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 but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

If an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(*a*), in which case the first paragraph above of this Condition 3(*b*) shall continue to apply as if such Trigger Event had not occurred), and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, on the day prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would have been entitled to receive upon an Automatic Conversion in accordance with Condition 6, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(c) Trustee's fees

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

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3(*b*), 3(*d*), 5, 6 or 8.

(d) Solvency Condition

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring or where a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(*a*), in which case this Condition 3(*d*) shall continue to apply as if such Trigger Event had not occurred), all payments (other than any cash component of the Conversion Shares Offer Consideration and subject also to Condition 3(*c*)) under or arising from the Notes or 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 or the Trust Deed (including any damages awarded for breach of obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

Any payment of interest that would have been due and payable but for the operation of this Condition 3(*d*) shall be cancelled.

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

A certificate as to the solvency or lack thereof 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 Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) Set off, etc.

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

4 Interest

(a) Interest Rate and Interest Payment Dates

Subject to Conditions 3(*d*), 5 and 6, the Notes bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 3(*d*), 5 and 6, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments (in respect of each Interest Period ending prior to the First Reset Date, of U.S.$42.50 per Calculation Amount if paid in full), in each case as provided in this Condition 4, save that the interest payable on the first Interest Payment Date shall be in respect of the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date as provided below.

Where it is necessary to compute an amount of interest in respect of any Note for any period (other than any full Interest Period), the relevant day-count fraction will be the number of days in such period divided by 360, where the number of days is calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) Interest Accrual

Subject to Conditions 3(*d*), 5 and 6, the Notes will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption or substitution thereof pursuant to Condition 8, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue at the applicable Interest Rate on the outstanding principal amount of such Note, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(*a*) in relation to equal instalments and subject to Conditions 3(*d*), 5 and 6, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(*a*) for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards). Where the denomination of a Note is more than the Calculation Amount, the amount of interest payable in respect of each such Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Notes bear interest, subject to Conditions 3(*d*), 5 and 6, at the rate of 8.500 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 4 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant CMT Rate and the Margin.

(e) Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 4.00 p.m. (New York City time) on each Reset Determination Date determine the Reset Rate of Interest in respect of the relevant Reset Period. The

determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) Publication of Reset Rate of Interest

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 11 but have not been repaid at the relevant time, the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) Agent Bank

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank is set out in the preamble to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank, financial institution or other financial adviser of international repute. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4(*e*), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution of international repute approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Noteholders and (in the absence of wilful default or gross negligence) no liability to the Noteholders, the Trustee or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Cancellation of Interest

(a) Interest Payments Discretionary

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer and is subject to the provisions of Conditions 3(*d*), 5(*b*) and 6. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date.

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 3(*d*), the cancellation of such Interest Payment in accordance with Condition 5(*b*), the cancellation of interest upon an Automatic Conversion in accordance with Condition 6 or, as appropriate, the Issuer's exercise of its discretion

otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 5(*a*), and accordingly such interest shall not in any such case be due and payable.

(b) Mandatory Cancellation of Interest

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 5(*c*), the Issuer shall cancel in full any Interest Payment on the Notes in accordance with this Condition 5 if:

(i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);

(ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);

(iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);

(iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or

(v) the Issuer is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment,

each of the events or circumstances described in sub-paragraphs (i) to (v) (inclusive) above being a "**Mandatory Interest Cancellation Event**".

A certificate signed by two Directors confirming that (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (ii) a Mandatory Interest Cancellation Event has ceased to occur and/or payment of interest on the Notes would not result in a new or further Mandatory Interest Cancellation Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(c) Waiver of Cancellation of Interest Payments by the PRA

Notwithstanding Condition 5(*b*), the Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made (to the extent permitted by the Relevant Rules) where:

(i) the Mandatory Interest Cancellation Event is of the type described in sub-paragraph (ii) of Condition 5(*b*) only;

(ii) the PRA has exceptionally waived the cancellation of the Interest Payment;

(iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and

(iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 5(*c*) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(d) Effect of Cancellation of Interest Payments

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 5 or which is otherwise not due and payable in accordance with Condition 3(*d*) or which is cancelled in accordance with Condition 6 shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof (whether in an Issuer Winding-Up or otherwise) and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

(e) Notice of Cancellation of Interest

If practicable, the Issuer shall provide notice of any cancellation of any Interest Payment (or any part thereof) pursuant to Condition 5(*a*) or 5(*b*) to Noteholders in accordance with Condition 13, and to the Trustee in a certificate signed by two Directors, and the Principal Paying Agent and the Registrar in writing, at least five Business Days prior to the relevant Interest Payment Date (or, if the determination that such Interest Payment (or any part thereof) is to be cancelled is made after such fifth Business Day, as soon as is practicable following the making of such determination). However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment.

(f) Interest cancellation where no redemption for a Capital Disqualification Event

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Issuer's Own Fund Items but the Issuer has not exercised its option to redeem such Notes pursuant to Condition 8(*h*), the Issuer shall not, to the extent permitted under the Relevant Rules, exercise its discretion as set out in Condition 5(*a*) to cancel any Interest Payments due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event.

This Condition 5(*f*) is without prejudice to the remainder of these Conditions and the Trust Deed, including (without limitation) the continuing application of Conditions 3(*d*), 5(*b*) and 6(*a*). Accordingly, the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules (other than as set out in this Condition 5(*f*)) notwithstanding the occurrence of the relevant Capital Disqualification Event and the operation of this Condition 5(*f*).

6 Automatic Conversion

(a) Automatic Conversion upon Trigger Event occurring

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

If a Trigger Event has occurred, the Issuer shall:

(i) immediately inform the PRA of the occurrence of the Trigger Event; and

(ii) (unless the PRA has waived Automatic Conversion in exceptional circumstances, as provided below) without delay, give the Trigger Event Notice which notice shall be irrevocable.

Unless the PRA has waived Automatic Conversion as aforesaid, following the determination that a Trigger Event has occurred and, in any event, no later than 15 Business Days (or such shorter period as the PRA may require) after the date of such determination, an Automatic Conversion shall occur and the Issuer shall deliver the Conversion Shares to the Conversion Shares Depositary (or such other relevant recipient as described below) on the Conversion Date.

Following such Automatic Conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Notes at any time, including where the Trigger Event ceases to occur.

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer in a winding-up or administration of the Issuer or otherwise with respect to:

(i) repayment of the principal amount of the Notes or any part thereof;

(ii) the payment of any interest on the Notes for any period; or

(iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

Such Automatic Conversion shall take place without the need for the consent of Noteholders or the Trustee.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer. Any such determination shall be binding on the Trustee and the Noteholders.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Directors certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee shall rely (without further enquiry and without liability to any person).

Any failure by the Issuer to give a Trigger Event Notice or the aforementioned certificate will not affect the effectiveness of, or otherwise invalidate, any Automatic Conversion, or give Noteholders any rights as a result of such failure.

The release of the principal amount of a Note pursuant to and in accordance with this Condition 6 shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the Conversion Date if such an Automatic Conversion (taking into account the write-down or conversion of any other

Own Fund Items on or around the Conversion Date) would give rise to a tax liability that would have a significant adverse effect on the solvency or capital position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to (i) the cancellation of any Interest Payment or part thereof pursuant to Condition 5 and (ii) the Automatic Conversion of the Notes following the occurrence of a subsequent Trigger Event in respect of which the PRA does not grant such a waiver). The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the PRA.

Under the Relevant Rules in force as at the Issue Date, the PRA is permitted (but not required) exceptionally to waive an Automatic Conversion in certain limited circumstances (being that it was triggered only by limb (c) of the definition of Trigger Event and not by either of limbs (a) or (b) of such definition) where it has received prior to the Conversion Date (i) projections provided by the Issuer and/or the Insurance Group when it submits its recovery plan required by the Relevant Rules, that demonstrate that triggering the principal loss absorbency mechanism in such case would be very likely to give rise to a tax liability that would have a significant adverse effect on Issuer's and/or the Insurance Group's solvency position; and (ii) a certificate issued by the Issuer's or the Insurance Group's statutory auditors certifying that all of the assumptions used in the projections are realistic.

(b) Conversion Shares Depositary

The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Trigger Event (unless the PRA has waived Automatic Conversion in respect of such Trigger Event as contemplated in Condition 6(*a*)).

If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares to the Noteholders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Noteholders or to the Noteholders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares as nominee on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Conversion Date shall be determined by dividing the aggregate principal amount of the Notes outstanding (as defined in the Trust Deed) immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Noteholder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate principal amount of the Notes held by such Noteholder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.

The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Noteholder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Conversion Date.

The Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Noteholders, who shall be entitled to direct the Conversion Shares Depositary or such other recipient, as applicable, to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer the Conversion Shares until such time (if any) as they have been delivered to Noteholders and in the circumstances in which such delivery may take place.

Neither the Issuer, nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

The Conversion Shares will not be available for delivery (A) to, or to a nominee for, any clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).

(c) Conversion Shares Offer and delivery of Conversion Shares or Conversions Shares Offer Consideration

Unless at the time of the appointment by the Issuer of the Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions) the Issuer elects that such an offer should not take place (and subject always to applicable law), the Eligible Conversion Shares will be offered by or on behalf of the Conversion Shares Depositary (acting as agent for the Noteholders) to, in the absolute discretion of the Issuer, some or all of the existing shareholders of the Issuer for purchase at the Current Market Price (the "**Conversion Shares Offer**"). The Conversion Shares Offer shall commence within 10 Business Days of and be completed or (in the absolute discretion of the Issuer) terminated within 40 Business Days of the Conversion Date. Such purchase shall not be effected unless all of the Eligible Conversion Shares can be sold via the Conversion Shares Offer.

For the purposes of these Conditions, "**Eligible Conversion Shares**" means Conversion Shares which are not subject to an election from the relevant Noteholder as set out in sub-paragraph (B) of the definition of Conversion Shares Offer Consideration.

The purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in Condition 6(*b*) and in the definition of Conversion Shares Offer Consideration).

The Conversion Shares Depositary shall deliver a notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders setting out the procedures for each Noteholder to receive the Conversion Shares Offer Consideration or (whether following termination or non-commencement of the Conversion Shares Offer or as a result of the operation of sub-paragraph (B) of the definition of Conversion Shares Offer Consideration) the relevant Conversion Shares and the date up to which the Notes shall remain in existence for the sole purpose of evidencing each relevant Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary.

Following such cancellation of the Notes, each Noteholder will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of Conversion Shares or the Conversion Shares Offer Consideration and the Conversion Shares Depositary may include such conditions to delivery as it considers to be appropriate.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

If any Conversion Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Conversion Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares and any such cash proceeds from such sale(s) and any cash representing the Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer for its own account unless the Issuer decides, in its sole and absolute discretion, otherwise. The Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

The Trustee shall not be responsible for monitoring or enforcing the obligations of the Conversion Shares Depositary. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depositary, Noteholders must look to the Conversion Shares Depositary (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

Nothing in this Condition 6*(c)* shall entitle the Issuer to elect that a Conversion Shares Offer be undertaken unless, at least 10 days (or such shorter period as the PRA may accept) prior to making such election, the Issuer has delivered to the PRA a properly reasoned, independent tax opinion from an appropriately qualified person, taking into account HM Revenue and Customs' precedent, statements and guidance, to the effect that, under the law applicable at the time of such election, the exercise of the Conversion Shares Offer should not, before the set-off of any prior year losses, be an action that would create a United Kingdom tax charge for the Issuer.

(d) Adjustments to the Conversion Price

If the Issuer proposes any Adjustment Event, the board of directors of the Issuer shall (in its sole discretion, acting in good faith) determine and (conditional upon such Adjustment Event occurring)

appoint an Independent Adviser to make any adjustment that such Independent Adviser determines is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders. The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of any adjustment to the Conversion Price as soon as practicable following such determination. The Conversion Price shall not in any event be reduced to below the nominal value of an ordinary share of the Issuer at such time. The Issuer further undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by law and regulation.

(e) Undertakings

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

(i) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and (unless the Issuer effects a substitution of the Issuer pursuant to Condition 14(*c*) with effect from the completion of the Scheme of Arrangement) that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Notes may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed. The Trustee shall (at the request and expense of the Issuer) be bound to concur in effecting such amendments, provided that the Trustee shall not be bound to concur if to do so would, in the opinion of the Trustee, (x) expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (y) change, increase or add to the obligations or duties of the Trustee or (z) remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes;

(ii) use all reasonable endeavours to ensure that the Conversion Shares shall be admitted to listing and trading on the principal stock exchange or securities market (if any) on which the ordinary shares of the Issuer are then listed or admitted to trading; and

(iii) at all times keep available for issue or allotment, free from any pre-emptive or other preferential rights, sufficient ordinary shares to enable the issue of all Conversion Shares as would be necessary to satisfy in full the obligation of the Issuer to issue and deliver Conversion Shares following the occurrence of a Trigger Event.

7 Payments

(a) *Payments in respect of Notes*

(i) Payments of principal and interest shall be made on the date scheduled for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment (the "**Record Date**"). Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder.

(ii) Payments of principal and interest due at the time of redemption of the Notes will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.

(iii) For the purposes of this Condition 7, a Noteholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the date falling two Business Days before the due date for payment.

(b) *Payments subject to applicable laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

(c) *No commissions*

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

(d) *Payment on Business Days*

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

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

(e) *Partial payments*

If the amount of principal or interest which is scheduled to be paid on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid. With respect to the amount of any Interest Payment or part thereof, the Registrar shall have regard to the provisions of Condition 5(*a*).

(f) *Agents*

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves its right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that it will:

(i) at all times maintain a Principal Paying Agent, an Agent Bank, a Registrar and a Transfer Agent; and

(ii) at all times maintain such other agents as may be required by any stock exchange on which the Notes may be listed.

Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

8 Redemption, Substitution, Variation and Purchase

(a) *No Redemption Date*

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

(b) *Conditions to Redemption and Purchase*

To the extent required pursuant to the Relevant Rules at the relevant time, and save as otherwise permitted pursuant to Condition 8(*c*), the Issuer may not redeem or purchase any Notes unless each of the following conditions is satisfied:

(i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Issue Date (or, if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes, the issue date of the last tranche of the Notes), either

(1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or

(2) in the case of any redemption pursuant to Condition 8(*g*) or 8(*h*), the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans); and

(A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or

(B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and

(C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Issue Date (or, if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes, the issue date of the last tranche of the Notes);

(ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes and (B) before the tenth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, the PRA has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless

such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

(iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;

(iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;

(v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;

(vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(*a*));

(vii) no Insolvent Insurer Winding-up has occurred and is continuing;

(viii) the Regulatory Clearance Condition is satisfied; and/or

(ix) any other additional or alternative requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the PRA or the Relevant Rules have (in addition or in the alternative to the foregoing subparagraphs, as the case may be) been complied with (and shall continue to be complied with following the proposed redemption or purchase),

the conditions set out in paragraphs (i) to (ix) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the "**Redemption and Purchase Conditions**".

If on the proposed date for redemption or purchase of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(*c*) and 8(*d*) or, as applicable, the purchase of the Notes shall be cancelled.

(c) *Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by the PRA*

Notwithstanding Condition 8(*b*), the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

(i) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) of Condition 8(*b*);

(ii) the PRA has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;

(iii) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt, will include (without limitation) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a higher quality than the Notes); and

(iv) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 8(*c*) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

(d) *Suspension of Redemption*

The Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with Condition 8(*b*), provided that if an event occurs or is determined less than five Business Days prior to the date set for redemption that results in the Redemption and Purchase Conditions ceasing to be met, the Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders as soon as reasonably practicable following the occurrence or determination (as the case may be) of such event.

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 8 as a result of the operation of Condition 8(*b*), the Issuer shall redeem such Notes at their principal amount outstanding together with any accrued and unpaid interest (in each case, to the extent that such amounts have not previously been cancelled pursuant to these Conditions), upon the earlier of:

(i) the date falling ten Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 8(*c*) (unless on such tenth Business Day the Redemption and Purchase Conditions are again not met or the redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met (in each case save for the Redemption and Purchase Condition at sub-paragraph (iv) of Condition 8(*b*) to the extent waived under Condition 8(*c*)), in which case the provisions of Condition 8(*b*) and this sub-paragraph (i) of this Condition 8(*d*) will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or

(ii) the date on which an Issuer Winding-Up occurs (insofar as such Issuer Winding-Up occurs prior to a Trigger Event in respect of which the PRA has not waived Automatic Conversion as contemplated in Condition 6(*a*)).

The Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any such date set for redemption pursuant to (i) or (if reasonably practicable in the circumstances) (ii) above.

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

(e) *Suspension of Redemption and Cancellation of Purchases Not a Default*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes and any cancellation of any purchases of any Notes in accordance with Condition 8(*b*) and 8(*d*) shall not constitute a default or event of default on the part of the Issuer for any

purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

(f) *Redemption at the option of the Issuer*

Provided that the Redemption and Purchase Conditions are met, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 12 December 2029 and ending on (and including) the First Reset Date or (B) any Interest Payment Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Subject as aforesaid, upon expiry of such notice the Issuer shall redeem the Notes.

(g) *Redemption, substitution or variation at the option of the Issuer due to a Tax Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(*m*) are met, if a Tax Event has occurred and is continuing, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(*m*) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that:

(1) no such notice shall be given earlier than 90 days prior to the earliest date on which (A) (i) with respect to limb (a) of the definition of Tax Event, the Issuer would be obliged to pay such Additional Amounts; (ii) with respect to limb (b) of the definition of Tax Event, the Issuer would not be able to claim such a deduction or such a deduction is reduced; or (iii) with respect to limb (d) of the definition of Tax Event, the Issuer would not to a material extent be able to have losses or deductions set against the profits or gains in the manner set out therein, in each case were a payment in respect of the Notes then due; or (B) (i) with respect to limbs (c), (e) and (f) of the definition of Tax Event, such change in treatment is effective; or (ii) with respect to limb (g) of the definition of Tax Event, the relevant adverse tax consequence would arise or be suffered; and

(2) the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser or a nationally recognised accounting firm in the applicable Relevant Jurisdiction experienced in such matters to the effect that the relevant

requirement or circumstance referred to in sub-paragraph (1) applies or (where applicable) will apply on the next Interest Payment Date (save that such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence or effect of the relevant Tax Event by taking reasonable measures available to it).

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

(h) *Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(*m*) are met, if a Capital Disqualification Event has occurred and is continuing or, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(*m*) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

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

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

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(*m*) are met, if a Ratings Methodology Event has occurred and is continuing or, as a result of a change in (or clarification to) the methodology of a Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Rating Agency Compliant Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(*m*) below and in the definitions of "Qualifying Securities" and "Rating Agency Compliant Securities") agree to such substitution or variation,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Ratings Methodology Event.

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

(j) *Redemption, substitution or variation at the option of the Issuer due to an Accounting Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(*m*) are met, if an Accounting Event has occurred and is continuing or will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(*m*) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided, however, that (1) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Accounting Event and (2) the Issuer shall also deliver to the Trustee an opinion from a recognised accountancy firm of international standing experienced in such matters confirming that an Accounting Event has occurred or will so occur.

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

(k) *Clean-up redemption at the option of the Issuer*

Provided that the Redemption and Purchase Conditions are met, if 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(*q*) below) be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Subject as aforesaid, upon expiry of such notice the Issuer shall redeem the Notes.

(l) *Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*

(i) Subject to Condition 8(*b*), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 8(*g*), 8(*h*) or 8(*j*) above or Rating Agency Compliant Securities pursuant to Condition 8(*i*) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 8.

(ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 8 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 8 relates, it shall be entitled without liability to assume that no such event or circumstance exists or has arisen.

(m) *Preconditions to redemption, variation and substitution*

(i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(*g*), 8(*h*), 8(*i*), 8(*j*) or 8(*k*), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event has occurred and is continuing or, for the purposes of Condition 8(*k*), that 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled as at the date of the certificate or, as the case may be (in the case of a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event) will occur within a period of six months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, that the relevant Tax Event, Capital Disqualification Event, Ratings Methodology Event or Accounting Event was not reasonably foreseeable.

(ii) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes pursuant to Condition 8(*g*), 8(*h*), 8(*i*) or 8(*j*) unless it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective and the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

A certificate signed by any two Directors to the Trustee confirming compliance with the relevant requirements set out above shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such

certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(n) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with Condition 8(*g*), 8(*h*), 8(*i*) or 8(*j*), 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.

(o) *Purchases*

Provided that the Redemption and Purchase Conditions are met at the time of such purchase, the Issuer or any of the Issuer's Subsidiaries may purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be held, reissued, resold or, at the option of the relevant purchaser, surrendered for cancellation to the Registrar.

(p) *Cancellations*

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

(q) *Notices Final*

Subject to and without prejudice to the Redemption and Purchase Conditions and to Condition 8(*d*), any notice of redemption, substitution or variation as is referred to in this Condition 8 shall, except in the circumstances described in the following paragraph of this Condition 8(*q*), be irrevocable and on the redemption, variation or (as the case may be) substitution date specified in such notice, the Issuer shall be bound to redeem or, as the case may be, vary or substitute the Notes in accordance with the terms of the relevant Condition.

The Issuer may not give a notice of redemption, substitution or variation of the Notes pursuant to this Condition 8 if a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(*a*)). If a Trigger Event occurs after a notice of redemption, substitution or variation has been given by the Issuer but before the relevant redemption, substitution or (as the case may be) variation date, and unless the PRA has waived Automatic Conversion (as contemplated in Condition 6(*a*)) in respect of such Trigger Event prior to the scheduled date for such redemption, substitution or variation (as applicable), such notice of redemption, substitution or variation (as applicable) shall automatically be revoked and be null and void and the relevant redemption, substitution or variation (as applicable) shall not be made or effected and the Notes shall be subject to Automatic Conversion in accordance with Condition 6.

9 Taxation

(a) *Payment without withholding*

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes 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 a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts in relation to Interest Payments ("**Additional Amounts**") (but not in respect of any payments of principal) as will result in receipt by the Noteholders

of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(i) *Other connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(ii) *Lawful avoidance of withholding*: held by, or by a third party 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 Certificate is presented for payment; or

(iii) *Surrender more than 30 days after the Relevant Date*: where (in the case of an Interest Payment payable on redemption) the relevant Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or

(iv) Any combination: where such withholding or deduction arises out of any combination of paragraphs (i) to (iii) above.

"**Relevant Date**" means (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-Up, 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 surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in an Issuer Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed).

(b) *Additional Amounts*

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or under any undertakings given in addition to, or in substitution for, this Condition 9 pursuant to the Trust Deed.

(c) *FATCA Withholding*

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

10 Prescription

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

11 Non-payment of principal when due

(a) *Proceedings for an Issuer Winding-Up*

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them the Trustee at its discretion may, and if so requested by Noteholders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for an Issuer Winding-Up.

Subject to Condition 6, in the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee), the Trustee may prove in the winding-up or administration of the Issuer and/or (as the case may be) claim in the liquidation or administration of the Issuer, such claim being as provided in, and subordinated in the manner described in, Condition 3(*b*), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

(b) *Enforcement*

Without prejudice to Condition 11(*a*), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 11(*b*) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 11(*a*).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 11(*a*) or 11(*b*) above against the Issuer to enforce the terms of the Trust Deed, the Notes or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) *Right of Noteholders*

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or administration of the Issuer or claim in the liquidation or administration of the Issuer or to prove in such winding-up or administration of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration of the Issuer or claim in such liquidation or administration, fails or is unable to do so within 60 days and such failure and/or inability shall be continuing, in which case the Noteholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) *Extent of Noteholders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares issued and delivered in accordance with Condition 6.

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, with effect from the Conversion Date, Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of the Conversion Shares or the Conversion Shares Offer Consideration to which such Noteholders are entitled.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or other Transfer Agent (or any other place notice of which shall have been given in accordance with Condition 13) upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

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

14 Substitution of Issuer

(a) *Discretion to agree to substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to (a) such substitution not being, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders, (b) certain additional conditions set out in the Trust Deed being satisfied and (c) such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders:

(i) to the substitution of a successor in business (as defined in the Trust Deed) of the Issuer in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes; or

(ii) to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes; or

(iii) (subject to the Notes becoming unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer), to the substitution of a Subsidiary or parent company of the Issuer or its successor in business in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes.

(b) *Mandatory substitution: Insurance Group Parent Entity Automatic Substitution*

The Trust Deed further provides that, if requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason (including, without limitation, as a result of, or in connection with, any transaction instigated by the Issuer or any of its shareholders or Subsidiaries or to which the Issuer or any of its shareholders or Subsidiaries is a party), the Trustee shall promptly agree, without the consent of the Noteholders, to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes which the Issuer may reasonably require in connection therewith, without the requirement to satisfy any conditions other than the conditions which are expressly specified in the Trust Deed, which include:

(i) the Notes being rated (at the request of the Issuer) by at least one of Moody's Investors Service Ltd. or S&P Global Ratings UK Limited or Fitch Ratings Ltd. or by any of their respective successors or affiliates immediately prior to the substitution and the Issuer certifying to the Trustee that:

(A) the Notes will, immediately following the substitution, continue to be rated (at the request of the Issuer) by at least one of such rating agencies; and

(B) no such rating agency has announced (or confirmed in writing to the Issuer) that it has downgraded (or will downgrade), or that it has placed (or will place) on review with negative implications, the rating assigned (at the request of the Issuer) to the Notes where the substitution (or potential substitution pursuant to this Condition 14) has been cited in such announcement or confirmation in writing as a reason for such downgrade or placing on review;

(ii) the Issuer having complied with the Regulatory Clearance Condition, the Notes being eligible to count as Tier 1 Capital of the Insurance Group immediately following the substitution, the principal amount of the Notes which is available to count as Tier 1 Capital of the Insurance Group immediately following the substitution being no less than the principal amount of the Notes which is available to count as Tier 1 Capital of the Insurance Group immediately prior to the substitution, and the Issuer not being in default in respect of any of its payment obligations under these Conditions;

(iii) the Notes being (or continuing to be): (i) listed on a "recognised stock exchange" for the purposes of section 1005 of the Income Tax Act 2007 or (ii) admitted to trading on a "multilateral trading facility" operated by an "EEA regulated recognised stock exchange" (within the meaning of section 987 of the Income Tax Act 2007) immediately following the substitution; and

(iv) the substitution not causing a Capital Disqualification Event, a Ratings Methodology Event, a Tax Event or an Accounting Event to occur in respect of the Notes immediately following the substitution.

The Trustee shall be required to accept a certificate from any two Directors of the Issuer to the Trustee confirming that the conditions to such a substitution are satisfied and the Trustee shall be entitled to rely

absolutely on such a certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

For the avoidance of doubt, the substitution provisions described in this Condition 14(*b*) are separate from, and in addition to, the substitution provisions described in Conditions 14(*a*) and 14(*c*). Accordingly, the Issuer may, at its sole and absolute discretion, elect to request the substitution of the Insurance Group Parent Entity pursuant to the provisions described in this Condition 14(*b*) instead of pursuant to the provisions described in Conditions 14(*a*) and 14(*c*), or vice versa.

(c) *Mandatory substitution: Newco Scheme*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 14), and upon such substitution the obligations of the Issuer (or the relevant previous substitute) as issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution.

(d) *General*

Any substitute pursuant to this Condition 14 is referred to in these Conditions as a "**Substituted Obligor**". On completion of any substitution pursuant to this Condition 14, all references in these Conditions to "the Issuer" shall be construed as references to the Substituted Obligor.

Any substitution pursuant to this Condition 14 shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

Any substitution pursuant to this Condition 14 which occurs prior to the fifth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, shall also be subject to the Issuer having complied with Condition 8(*b*)(i)(1).

Any substitution pursuant to this Condition 14 which occurs (A) on or after the fifth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes and (B) before the tenth anniversary of the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes, shall also be subject to the Issuer having complied with Condition 8(*b*)(ii).

(e) *Change in law*

In the case of any substitution pursuant to this Condition 14, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed, provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(f) *Notice to Noteholders*

The Issuer will give notice of any substitution pursuant to this Condition 14 to Noteholders in accordance with Condition 13 as soon as reasonably practicable following such substitution.

15 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of the Noteholders (including by way of conference call or video conference) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which falls within the proviso to paragraph 3 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trust Deed also provides that (i) a written resolution executed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or (ii) consent to a resolution given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. in principal amount of the Notes outstanding who (in either case) would have been entitled to vote upon such resolution if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8(*g*), 8(*h*), 8(*i*) or 8(*j*) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(*e*) or as reasonably required by the Issuer pursuant to Condition 14(*b*).

(b) *Modification, waiver, authorisation and determination*

Without prejudice to Conditions 6*(e)* 8*(g)*, 8(*h),* 8(*i*), 8(*j*) and 14, the Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant

to Condition 8(*g*), 8(*h*), 8(*i*) or 8(*j*) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(*e*) or as reasonably required by the Issuer pursuant to Condition 14(*b*).

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

Subject as provided below, in connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed. In connection with any substitution pursuant to Condition 14(*b*), the Trustee shall have regard only to the matters expressly specified in Condition 14(*b*).

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 15 shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

(e) *Notice to the PRA*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied the Regulatory Clearance Condition.

16 Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

Nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 3 or Condition 11) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities

or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(b) *Trustee contracting with the Issuer*

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

(c) *Reports and certificates*

The Trust Deed provides that the Trustee may rely and act upon the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant (including the auditors of the Issuer), surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee may also rely and act upon certificates and/or information addressed to it from, or delivered by, the Issuer, any Substituted Obligor or any one or more Directors or any Substituted Obligor or any of their respective auditors, liquidators, administrators or other insolvency officials. The Trustee will not be responsible to anyone for any liability occasioned by so relying and acting. Any such advice, opinion, information or certificate may be sent or obtained by letter, electronic communication or fax and the Trustee shall not be liable for acting in good faith on any advice, opinion, information or certificate purporting to be conveyed by such means even if it contains an error or is not authentic.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 3(*d*), 5, 6 or 8. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with the foregoing.

(d) *Trustee may refrain from acting*

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

17 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes. Any further notes which are to form a single series with the outstanding Notes may be constituted by a deed supplemental to the Trust Deed.

18 Governing Law and Jurisdiction

(a) *Governing law*

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

(b) *Jurisdiction*

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

19 Rights of Third Parties

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

20 Defined Terms

In these Conditions:

an "**Accounting Event**" shall be deemed to have occurred if, as a result of an Accounting Rules Change, at any time the obligations of the Issuer under the Notes must not, or must no longer, be recorded as a 'financial liability' pursuant to UK-IAS for the purposes of the consolidated financial statements of the Issuer;

"**Accounting Rules Change**" means a change in the accounting principles under UK-IAS (or a change in the interpretation of such accounting principles by the Issuer's auditors) which becomes effective on or after the Issue Date or (if any further tranche(s) of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes) the issue date of the last tranche of the Notes;

"**Additional Amounts**" has the meaning given in Condition 9;

"**Adjustment Event**" means the occurrence or existence at any relevant time of a subdivision, redesignation, consolidation or reclassification of any ordinary shares of the Issuer or a free distribution or dividend of any ordinary shares of the Issuer to existing holders of ordinary shares by way of bonus, capitalisation or similar issue;

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

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

"**Agents**" means the Principal Paying Agent, the Agent Bank, the Registrar and the Transfer Agents or any of them and shall include such other agents appointed from time to time under the Agency Agreement;

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

"**Automatic Conversion**" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer's obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing Conversion Price, the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed;

"**Business Day**" means (i) except for the purposes of Conditions 2 and 7(*d*), 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, (ii) for the purposes of Condition 2, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located and (iii) for the purpose of Condition 7(*d*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in London and New York City and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered;

"**Calculation Amount**" means U.S.$1,000 in principal amount;

a "**Capital Disqualification Event**" shall be deemed to have occurred if at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a 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 a limitation derived from any transitional or grandfathering provisions under the Relevant Rules);

"**Certificate**" has the meaning given in Condition 1(*a*);

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

(a) the yield for United States Treasury Securities at "constant maturity" for a designated maturity of five years, as published in the H.15 under the caption "treasury constant maturities (nominal)", as that yield is displayed on the CMT Rate Screen Page on such Reset Determination Date; or

(b) if the yield referred to in paragraph (a) above is not published by 4:30 p.m. (New York City time) on the CMT Rate Screen Page on such Reset Determination Date, the yield for the United States Treasury Securities at "constant maturity" for a designated maturity of five years, as published in the H.15 under the caption "treasury constant maturities (nominal)" on such Reset Determination Date; or

(c) if the yield referred to in paragraph (b) above is not published by 4:30 p.m. (New York City time) on such Reset Determination Date, the Reset Reference Quoted Rate on the U.S. Government Securities Business Day following such Reset Determination Date;

"**CMT Rate Screen Page**" means page H15T5Y on the Bloomberg service or any successor service or such other page as may replace that page on that service for the purpose of displaying "treasury constant maturities" as reported in H.15;

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

"**Conversion Date**" means the date specified in the Trigger Event Notice as the date on which the Automatic Conversion shall take place or has taken place;

"**Conversion Price**" means U.S.$1,000 per Conversion Share, subject to adjustment in accordance with Condition 6;

"**Conversion Shares**" means the ordinary shares of the Issuer having (as at the Issue Date) a nominal value of £0.10 each to be issued to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price on the Conversion Date rounded down, if necessary, to the nearest whole number of ordinary shares;

"**Conversion Shares Depositary**" means a financial institution, trust company, depositary entity, nominee entity or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Noteholders, to hold the Conversion Shares on behalf of such Noteholders in one or more segregated accounts and, in any event, on terms consistent with these Conditions;

"**Conversion Shares Offer**" has the meaning given in Condition 6(*c*);

"**Conversion Shares Offer Consideration**" means, in respect of each Note and as determined by or on behalf of the Conversion Shares Depositary, (A) save where sub-paragraph (B) below applies, the *pro rata* share of the cash proceeds from the sale of such Conversion Shares attributable to such Note translated into U.S. dollars at a then prevailing rate of exchange on the last day of the Conversion Shares Offer (less any foreign exchange transaction costs) subject to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer and (B) if following delivery of the Trigger Event Notice and prior to the commencement of the Conversion Shares Offer, a Noteholder duly gives notice to the Conversion Shares Depositary that it elects to receive the relevant Conversion Shares such that they are not eligible for inclusion in the Conversion Shares Offer, the Conversion Shares attributable to such Note (rounded down, if necessary, to the nearest whole number of Conversion Shares);

"**Current Market Price**" means, in respect of a Conversion Share, (a) the average of the daily volume weighted average prices of an ordinary share on each of the five consecutive dealing days as published by or derived from Bloomberg page HP (or any successor page) (using the setting "Weighted Average Line" or any successor setting) in respect of such ordinary shares on such day or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by the Conversion Shares Depositary or (b) if the ordinary shares of the Issuer are not admitted to trading on the London Stock Exchange's regulated market (for the purposes of Directive 2014/65/EU as it forms part of domestic law by virtue of the EUWA) or (in the sole determination of the Conversion Shares Depositary) another regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA at such time, the fair market value of such ordinary shares as determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per ordinary share, the dividend yield of an ordinary share, the volatility of such market price and prevailing interest rates;

"**Directors**" means the directors of the Issuer or a Substituted Obligor (as the case may be) from time to time;

"**Distributable Items**" means, subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

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

(b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date; less

(c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date;

"**Distributable Profits**" has the meaning given to such term under section 736 of the Companies Act, or (where any Substituted Obligor is not a United Kingdom company) the relevant provision under the law of the jurisdiction of incorporation of the Issuer or (in each case) any equivalent or replacement provision;

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

"**EUWA**" means the European Union (Withdrawal) Act 2018;

"**Exempt Newco Scheme**" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are admitted to trading on the London Stock Exchange's regulated market (for the purposes of Directive 2014/65/EU as it forms part of domestic law by virtue of the EUWA) or such other regularly operating, internationally recognised stock exchange as nominated by the Issuer or Newco;

"**Existing Shareholders**" has the meaning ascribed to it in the definition of Newco Scheme;

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

"**First Reset Date**" means 12 June 2030;

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

"**H.15**" means the weekly statistical release designated as H.15, or any successor publication, published by the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/H15 or any successor site or publication;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

"**Initial Fixed Interest Rate**" has the meaning given in Condition 4(*c*);

"**Initial Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

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

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

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

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

"**Insurance Group**" means the Insurance Group Parent Entity and its Subsidiaries;

"**Insurance Group Parent Entity**" means the Issuer or any Subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group or other financial group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

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

"**Interest Payment**" means, in respect of any Interest Payment Date, the amount of interest which is (or would, but for cancellation in accordance with these Conditions, be) due and payable on such Interest Payment Date;

"**Interest Payment Date**" means 12 June and 12 December in each year, commencing on 12 December 2024;

"**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the applicable Reset Rate of Interest, as the case may be;

"**Issue Date**" means 12 June 2024;

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

"**Issuer Winding-Up**" means:

(a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, (A) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business of the Issuer in accordance with the provisions of Condition 14); or

(b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer;

"**Level 2 Regulations**" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as amended by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019;

"**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;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Mandatory Interest Cancellation Event**" has the meaning given to such term in Condition 5(*b*);

"**Margin**" means 4.189 per cent.;

"**Minimum Capital Requirement**" means the Minimum Capital Requirement of the Issuer, the minimum consolidated group Solvency Capital Requirement or other minimum capital requirements relating to the Issuer or the Insurance Group (as applicable) referred to in the Relevant Rules;

"**Newco**" has the meaning ascribed to it in the definition of Newco Scheme;

"**Newco Scheme**" means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which effects the interposition of a limited liability company ("**Newco**") between the shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

"**Noteholder**" has the meaning given in Condition 1(*b*);

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

"**Notional Preference Shares**" has the meaning given to such term in Condition 3(*b*);

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

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

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

"**£**" means the lawful currency of the United Kingdom from time to time;

"**PRA**" means the Bank of England acting as the United Kingdom Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer, the Insurance Group and/or the Insurance Group Parent Entity;

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

"**Proceedings**" has the meaning given in Condition 18(*b*);

"**Qualifying Securities**" means securities issued by the Issuer or another entity that:

(a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser

and in respect of the matters specified in (b) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue or, as appropriate, variation of the relevant securities);

(b) (subject to (a) above) shall (1) contain terms which comply with the then current requirements of the Relevant Rules in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to 12 June 2029 except in circumstances analogous to those referred to in Condition 8(*g*), 8(*h*), 8(*i*), 8(*j*) or 8(*k*) of the Notes; (5) contain terms providing for the cancellation and/or suspension of payments of interest or principal only if such terms are not materially less favourable to an investor than the cancellation and/or suspension provisions, respectively, contained in the terms of the Notes and (6) preserve any existing rights under these Conditions to any accrued interest which has accrued to Noteholders but not been paid (but without prejudice to any right of the Issuer subsequently to cancel any such rights so preserved in accordance with the terms of the Qualifying Securities); and

(c) are listed or admitted to trading on the London Stock Exchange's International Securities Market or such other regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA as selected by the Issuer and approved by the Trustee;

"**Rating Agency**" means Fitch Ratings Limited, Moody's Investors Service Ltd. or S&P Global Ratings UK Limited or any of their respective affiliates or successors;

"**Rating Agency Compliant Securities**" means securities which are (i) Qualifying Securities and (ii) assigned substantially the same "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower "equity credit" (provided such "equity credit" is still higher than the "equity credit" assigned to the Notes by the Relevant Rating Agency or its predecessor immediately after the occurrence of the Ratings Methodology Event) as that which was (i) first assigned to the Notes by the Relevant Rating Agency or its predecessor (whether on or around the Issue Date or thereafter) or (ii) (if this is lower) assigned to the Notes by the Relevant Rating Agency or its predecessor on the issue date of any further tranche(s) of the Notes issued pursuant to Condition 17 and consolidated to form a single series with the Notes and provided that a certification to such effect signed by two Directors shall have been delivered to the Trustee prior to the issue or, as appropriate, variation of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof);

A "**Ratings Methodology Event**" will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of any Rating Agency (the "**Relevant Rating Agency**") (or in the interpretation of such methodology) as a result of which the "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by the Relevant Rating Agency to the Notes is, as notified by the Relevant Rating Agency to the Issuer or as published by the Relevant Rating Agency, reduced when compared to (a) the "equity credit" first assigned by the Relevant Rating Agency or its predecessor to the Notes (whether on or around the Issue Date or thereafter) or (b) (if this is lower) the "equity credit" assigned by the Relevant Rating Agency or its predecessor to the Notes on the issue date of any further tranche(s) of the Notes issued pursuant to Condition 17 and consolidated to form a single series with the Notes;

"**Record Date**" has the meaning given to such term in Condition 7(*a*);

"**Redemption and Purchase Conditions**" has the meaning given to such term in Condition 8(*b*);

"**Register**" has the meaning given in Condition 1(*a*);

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

"**Regulatory Capital Requirements**" means any applicable capital resources requirement or applicable overall financial adequacy rule required by the PRA pursuant to the Relevant Rules, as such requirements or rules are in force from time to time;

"**Regulatory Clearance Condition**" means, in respect of any proposed act on the part of the Issuer, the PRA having approved, granted permission for, consented to, or provided a non-objection to and having not withdrawn its approval, permission or consent to, such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA, the Relevant Rules or any other applicable rules of the PRA at the relevant time);

"**reinsurance undertaking**" has the meaning given in the Relevant Rules;

"**Relevant Date**" has the meaning given in Condition 9(*a*);

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

"**Relevant Rating Agency**" has the meaning given in the definition of "Ratings Methodology Event" in this Condition 20;

"**Relevant Rules**" means, at any time, any legislation, rules, regulations or published regulatory expectations (whether having the force of law or otherwise) then applying to the Issuer, the Insurance Group Parent Entity or the Insurance Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules, regulations or published regulatory expectations of the PRA relating to such matters; and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they apply to Tier 1 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules (other than as set out in Condition 5(*f*)) notwithstanding the occurrence of a Capital Disqualification Event;

"**Reset Date**" means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

"**Reset Determination Date**" means, in respect of a Reset Period, the second U.S. Government Securities Business Day prior to the first day of such Reset Period (without prejudice to the operation of the fallbacks set out in paragraph (c) of the definition of "CMT Rate");

"**Reset Period**" means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

"**Reset Quotation**" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate quoted by a Reset Reference Bank as being the yield-to-maturity based on the secondary market bid price of such Reset Reference Bank for Reset United States Treasury Securities at approximately

11:00 a.m. (New York City time) on the U.S. Government Securities Business Day following such Reset Determination Date;

"**Reset Rate of Interest**" has the meaning ascribed to it in Condition 4(*d*);

"**Reset Reference Banks**" means five banks which are primary U.S. Treasury securities dealers (excluding the Agent Bank or any of its affiliates) as selected by the Issuer in its sole discretion;

"**Reset Reference Quoted Rate**" means the percentage rate determined by the Agent Bank on the basis of the Reset Quotations provided by the Reset Reference Banks to the Issuer (and any such quotations received shall be provided by the Issuer to the Agent Bank) at or around 11:00 a.m. (New York City time) on the U.S. Government Securities Business Day following the relevant Reset Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Quoted Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Quoted Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Quoted Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Quoted Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the relevant CMT Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 4.311 per cent.;

"**Reset United States Treasury Securities**" means, on the relevant Reset Determination Date, United States Treasury Securities with an original maturity equal to five years, a remaining term to maturity of no less than four years and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two or more United States Treasury Securities have remaining terms to maturity of no less than four years, the United States Treasury Security with the longer remaining term to maturity will be used and if two or more United States Treasury Securities have remaining terms to maturity equally close to five years, the United States Treasury Security with the largest nominal amount outstanding will be used;

"**Scheme of Arrangement**" has the meaning ascribed to it in the definition of Newco Scheme;

"**Senior Creditors**" means creditors of the Issuer:

(a) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any);

(b) whose claims constitute upon issue or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer;

(c) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or

(d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Trigger Event;

"**Solvency II**" means the United Kingdom transposition of the Solvency II Directive and the Level 2 Regulations, as they each form part of domestic law by virtue of the EUWA, as amended from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise);

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

"**Solvency Capital Requirement**" means the solvency capital requirement of the Issuer or the group solvency capital requirement of the Insurance Group referred to in the Relevant Rules (howsoever described or defined in the Relevant Rules) or any other solvency capital requirement, group solvency capital requirement or any other equivalent capital requirement relating to the Issuer or the Insurance Group (other than the Minimum Capital Requirement) howsoever described or defined in the Relevant Rules;

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

"**Subsidiary**" has the meaning given to that term under section 1159 of the Companies Act;

"**Substituted Obligor**" has the meaning given in Condition 14(*d*);

"**successor in business**" has the meaning, with respect to the Issuer, given in the Trust Deed;

a "**Tax Event**" is deemed to have occurred if:

(a) as a result of a Tax Law Change, in making any Interest Payments on the Notes, the Issuer will or would on the next Interest Payment Date be required to pay Additional Amounts; or

(b) as a result of a Tax Law Change, the Issuer is no longer entitled to claim a deduction in respect of any Interest Payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is reduced in the Relevant Jurisdiction; or

(c) as a result of a Tax Law Change, the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes; or

(d) as a result of a Tax Law Change, in respect of an Interest Payment, the Issuer would not to any material extent be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or

(e) as a result of a Tax Law Change, the Notes or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes; or

(f) as a result of a Tax Law Change or an Accounting Rules Change, the Issuer would be subject to a tax liability in a Relevant Jurisdiction, or the receipt of income or profit would be subject to tax in a Relevant Jurisdiction, if a Trigger Event or an Automatic Conversion were to occur; or

(g) as a result of a Tax Law Change, the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction,

and, in any such case the Issuer could not avoid the foregoing by taking reasonable measures available to it;

"**Tax Law Change**" means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction 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 (x) (subject to (y)) becomes effective on or after the Issue Date, or (y) in the case of a change in law, is enacted on or after the Issue Date (or, in either case, if any further tranche(s)

of the Notes has or have been issued pursuant to Condition 17 and consolidated to form a single series with the Notes the issue date of the last tranche of the Notes);

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

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

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

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

"**Transfer Agent**" has the meaning ascribed to it in the preamble to the Conditions;

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

(a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;

(b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or

(c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed;

"**Trigger Event Notice**" means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Noteholders, in accordance with Condition 13, the Trustee, the Registrar, the Principal Paying Agent and the PRA, and which shall state with reasonable detail (i) the nature of the relevant Trigger Event, (ii) the basis of its calculation, (iii) the prevailing Conversion Price, (iv) the relevant Conversion Date (which may be a date prior to or following the date of the Trigger Event Notice), (v) details of the Conversion Shares Depositary, (vi) details of the Conversion Shares Offer (if one is to occur) and (vii) details of how to give notices required or permitted by these Conditions to the Conversion Shares Depositary;

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

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

"**UK-IAS**" means UK-adopted international accounting standards or such other accounting standards that may replace them;

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

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

"**U.S.$**" or "**U.S. dollars**" means the lawful currency of the United States of America.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The following provisions apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions.

1 Relationship of Accountholders with Clearing Systems

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

2 Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of the subsidiaries of the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and shall be duly endorsed (for information purposes only) on the schedule to the Global Certificate.

3 Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made to the registered holder of the Global Certificate. Upon payment of any principal or interest, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to the Global Certificate.

Principal and interest shall be payable in accordance with the Conditions, save that the calculation of interest will be made in respect of the total aggregate principal amount of the Notes represented by this Global Certificate.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent required by the Registrar, to the cash accounts of participants in Euroclear, Clearstream, Luxembourg or any Alternative Clearing System in accordance with the relevant clearing system's rules and procedures.

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

4 Meetings

The registered holder of the Global Certificate shall be treated as having one vote in respect of each U.S.$1,000 principal amount of Notes represented by the Global Certificate. The Trustee may allow to attend and speak (but not to vote unless such person is a proxy or a representative) at any meeting of Noteholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Notes represented by the Global Certificate on confirmation of entitlement and proof of his identity.

5 Notices

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of a clearing system, notices to Noteholders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant clearing system for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Noteholder will be given by such Noteholder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the Trustee and the relevant clearing system may approve for this purpose.

6 Exchange

Owners of beneficial interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual Certificates if Euroclear, Clearstream, Luxembourg or any Alternative 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.

In such circumstances, the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar and the Transfer Agent for completion, authentication and despatch to the relevant Noteholders within 14 days following a request therefor by the registered holder of the Global Certificate. A person with an interest in the Notes represented by the Global Certificate must provide the Registrar and the Transfer Agent with (A) a written order containing instructions and other such information as the Issuer, the Transfer Agent and the Registrar may require to complete, execute and deliver such Certificates; and (B) a certificate to the effect that such person is not transferring its interest in the Global Certificate.

7 Transfer

Notes represented by the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

8 Trustee's Powers

In considering the interests of Noteholders, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (A) have regard to such information as may have been made available to it by or on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (B) consider such interests on the basis that such accountholders were the holders of the Notes represented by the Global Certificate.

9 Enforcement

For the purposes of enforcement of the provisions of the Trust Deed, the persons named in a certificate of the holder of the Notes represented by the Global Certificate shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

10 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting which is a special quorum resolution), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent. The Principal Paying Agent shall confirm the result of voting on any Electronic Consent in writing to the Issuer and the Trustee (in a form satisfactory to the Trustee) (which confirmation may be given by email), specifying (as of the deadline for the Electronic Consent): (i) the outstanding principal amount of the Notes and (ii) the outstanding principal amount of the Notes in respect of which consent to the resolution has been given in accordance with this provision. The Issuer and the Trustee may rely and act without further enquiry on any such confirmation from the Principal Paying Agent and shall have no liability or responsibility to anyone as a result of such reliance or action. The Trustee shall not be bound to act on any Electronic Consent in the absence of such a confirmation from the Principal Paying Agent in a form satisfactory to it; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to be used to fund general commercial activities of the Group, including the refinancing of existing indebtedness, which may include the repurchase via a tender offer of the Issuer's outstanding U.S.$750,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (ISIN: XS2106524262) and U.S.$500,000,000 4.750 per cent. Fixed Rate Reset Tier 2 Notes due 2031 (of which U.S.$350,000,000 remain outstanding) (ISIN: XS2182954797).

INFORMATION ON THE GROUP

Business overview

The Group is the UK's largest long-term savings and retirement business (source: Group Analysis August 2022, based on life technical provisions) with circa 12 million customers, £283 billion of assets under administration and Solvency II Own Funds of £11.1 billion as at 31 December 2023.

The Group is a constituent of the FTSE 100 and offers a broad range of products to support people across all stages of the savings life cycle.

The Group has businesses in the UK, Germany and Ireland, providing specialist products and services through its customer brands.

For management purposes, the Group is organised into business units. The Group has five operating segments comprising Retirement Solutions, Pensions & Savings, With-Profits, SunLife & Protection, and Europe. For reporting purposes, the SunLife & Protection operating segment has been aggregated with the Europe operating segment to form the Europe & Other reportable segment. The Group's operating model enables it to support new and existing customers on their journey to and through retirement.

The Group is a growing and sustainable business with a clear purpose – helping people secure a life of possibilities, and the Group has a target of becoming a net zero organisation by 2050 – looking to maximise the opportunities of sustainable investments while maintaining strong financial returns.

History

Phoenix Group Holdings ("**PGH Cayman**"), previously named Liberty International Acquisition Company, then Liberty Acquisition Holdings (International) Company and then Pearl Group, was incorporated on 2 January 2008 under the laws of the Cayman Islands as an exempted company with limited liability, under registration number 202172. PGH Cayman was originally formed as a non-operating special purpose acquisition company by Berggruen Acquisition Holdings II Ltd and Marlin Equities IV, LLC to acquire one or more operating businesses with principal activities outside North America.

On 29 June 2009, PGH Cayman announced that it had agreed to acquire PGH2 and its subsidiaries (the "**Pearl Group**") (the "**Pearl Group Acquisition**"). PGH2 was established in April 2005 in connection with the £1.1 billion acquisition of HHG plc's closed life companies by, amongst others, TDR Capital Nominees Limited and certain principals of Sun Capital Partners.

On 1 November 2016, the Group acquired the SunLife Embassy Business from AXA UK plc for £373 million in cash.

On 30 December 2016, the Group acquired ALAC, Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited from Deutsche Holdings No. 4 Ltd., a wholly-owned subsidiary of Deutsche Bank for £933 million in cash.

On 31 August 2018, the Group completed the £2.9 billion acquisition of the SLAL businesses and entered into a strategic partnership with Standard Life Aberdeen (now abrdn).

Pursuant to a scheme of arrangement between PGH Cayman and its shareholders in accordance with section 86 of the Cayman Islands Companies Law, on 12 December 2018 the Issuer was inserted above PGH Cayman in

the Group legal entity organisational structure. The Issuer is the ultimate parent company and the insurance group holding company of the Group.

On 6 December 2019, the Issuer entered into a share purchase agreement to acquire the entire issued share capital of ReAssure from Swiss Re. The ReAssure Acquisition completed on 22 July 2020 for a total consideration of £3.1 billion in cash and shares.

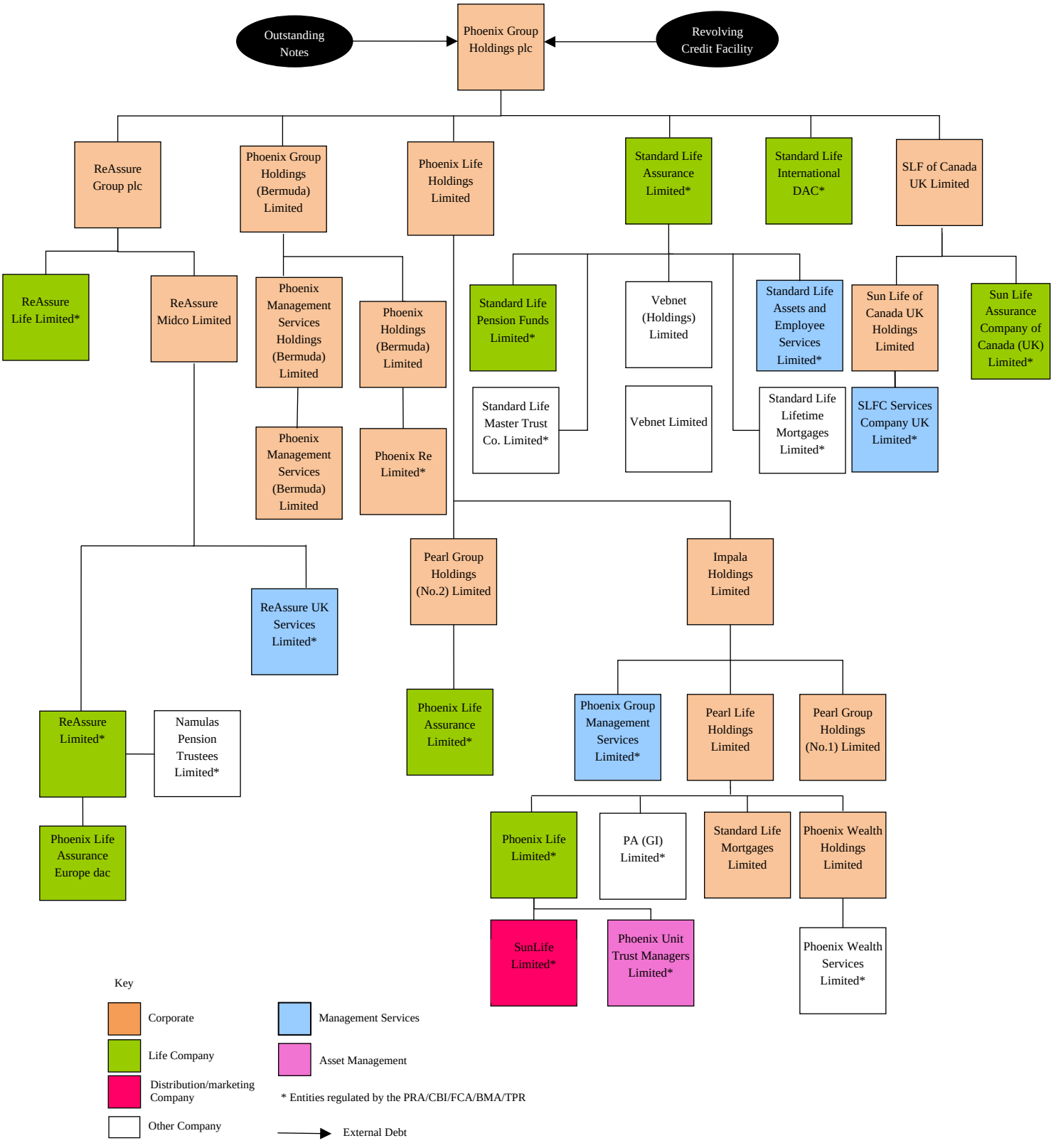
On 4 August 2022, the Issuer announced the proposed acquisition of the entire issued share capital of SLF of Canada UK Limited, which is the parent company of SLOC, a closed book UK life insurance company, from the Sun Life Assurance Company of Canada for total cash consideration of £248 million (the "**Sun Life Acquisition**"). The Sun Life Acquisition completed on 3 April 2023.

Recent Developments

On 3 May 2024, the Issuer gave notice to the holders of its £250,000,000 Fixed Rate Reset Callable Tier 2 Subordinated Notes due 2029 (the "**Callable Tier 2 Notes**") that pursuant to the terms and conditions of the Callable Tier 2 Notes it had exercised its option to redeem all of the outstanding Callable Tier 2 Notes on their first call date of 13 June 2024 at their principal amount together with accrued and unpaid interest.

Structure of the Group

The following chart gives an overview of the legal structure of the Group and its principal companies as at the date hereof. Shareholdings are 100 per cent. unless otherwise shown.



Strategy of the Group

For information about the strategy of the Group, please refer to the section entitled "*Strategic report – Our strategic priorities and KPIs*" on pages 24-29 of the 2023 Annual Report and Accounts of the Group, which is incorporated by reference in this Offering Memorandum.

Operating segments

The Group's business comprises four operating segments for reporting purposes: Retirement Solutions, Pensions & Savings, With-Profits, SunLife & Protection, and Europe.

RETIREMENT SOLUTIONS

The Group participates across the key retirement markets, as it seeks to help customers secure income certainty in retirement, including Bulk Purchase Annuities, individual annuities, and equity release. The Retirement Solutions segment includes new and in-force individual annuity and Bulk Purchase Annuity contracts written within shareholder funds, with the exception of individual annuity contracts written as a result of Guaranteed Annuity Options on with-profit contracts which remain in the With-Profits segment. The Retirement Solutions segment also includes UK individual annuity business written within the Standard Life Heritage With-Profit Fund, as profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism established on demutualisation.

PENSIONS & SAVINGS

The Group offers a range of products across both the accumulation and decumulation stages of the life-savings cycle through its Standard Life brand. The Group's strategy is built on better understanding its circa 12 million customers' needs in order to provide them with innovative solutions.

The Group's Workplace business supports people who save through workplace pensions, and the Group's Retail business supports individual customers to save for, transition to, and earn income in, retirement. The Pensions & Savings segment includes new and in-force life insurance and investment unit-linked policies in respect of pensions and savings products that the Group continues to actively market to new and existing policyholders. This includes products such as workplace pensions and Self-Invested Personal Pensions ('SIPPs') distributed through the Group's strategic partnership with abrdn. In addition, it includes in-force insurance and investment unit-linked products from legacy businesses which no longer actively sell products to policyholders and which therefore gradually run-off over time. The Pensions & Savings segment also includes UK unitised business written in the Standard Life Heritage With-Profit Fund as profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

WITH-PROFITS

The With-profits segment includes all policies written by the Group's with-profit funds, with the exception of Standard Life Heritage With-Profit Fund contracts reflected in other segments as noted above for Retirement Solutions and Pensions & Savings where profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

EUROPE & OTHER

The Group's European & Other segment includes business written in Ireland and Germany primarily through the Standard Life brand. It offers a range of pensions and savings products, including international bonds. This includes products that are actively marketed to new policyholders and legacy in-force products that are no longer being sold to new customers. The segment also includes protection products and products sold under the SunLife brand, which continues to hold a strong position in the over-50s market, generating new business across its life cover, equity release and funeral plans.

Substantial Shareholdings

Information provided to the Issuer pursuant to Chapter 5 of the FCA's Disclosure and Transparency Rules is published on a Regulatory Information Service and on the Group's website. As at 31 December 2023 (being the latest practicable date prior to the date of this Offering Memorandum), the Issuer had most recently been notified of the following significant holdings of voting rights in its shares:

	Number of voting rights in shares	**Percentage of shares in issue**
		(%)
MS&AD Insurance Group Holdings, Inc.	144,877,304	14.50
abrdn plc	107,025,201	10.70
BlackRock, Inc.	51,251,518	5.12
Kingdom Holding Company	50,051,192	5.00

Competitive Strengths and Market Overview

Competitive Strengths

The Group's business model is differentiated from its peers by a unique set of competitive strengths and is a business where the whole is greater than the sum of the parts.

The Group's strategic priorities will strengthen its competitive advantages:

Customer access:

With circa 12 million customers, the Group has an unrivalled level of customer access. This provides the Group with deep customer insights that underpin its propositions, enabling the Group to better meet its evolving customer needs on their journey to and through retirement.

Capital efficiency:

As a diversified long-term savings and retirement business, the Group achieves greater diversification from its breadth of products. The Group's capital position is also highly resilient through its core capabilities in risk management and capital optimisation.

Cost efficiency:

The Group has a significant cost efficiency advantage, which is enabled through its customer administration and IT partnership with TCS. The Group is looking to further improve its cost efficiency through the next stage of the Group's journey as it rolls out its cost efficiency programme.

Growth Drivers

For information about the Group's growth drivers, please refer to the section entitled "*Strategic report – Our growth drivers*" on pages 18-19 of the 2023 Annual Report and Accounts of the Group, which is incorporated by reference in this Offering Memorandum.

Cash Generation

Total Cash Generation represents cash remitted by the Group's operating companies to the holding companies. Maintaining strong cash flow delivery underpins debt servicing and repayments. The cash flow analysis that follows reflects the cash paid by the operating companies to the Group's holding companies, as well as the uses of those cash receipts.

	Year ended 31 December	
	2023	**2022**
	(£m)	
Cash and cash equivalents at 1 January	503	963
Total Cash Generation		
Net cash receipts from Life Companies	2,024	1,504
Uses of cash		
Operating expenses	(97)	(78)
Pension scheme contributions	(16)	(16)
Debt interest	(229)	(244)
Total operating cash outflows	(342)	(338)
Non-operating cash outflows	(111)	(395)
Uses of cash before debt repayments and shareholder dividend	(453)	(733)
Shareholder dividend	(520)	(496)
Total uses of cash before debt repayments and BPA activity	(973)	(1,229)
Debt repayments	(350)	(450)
Debt issuance	346	-
Support of BPA activity	(288)	(285)
Cost of Sun Life of Canada UK acquisition	(250)	-
Cash and cash equivalents at 31 December	1,012	503

Total cash generated by the operating companies in the year ended 31 December 2023 was £2,024 million (2022: £1,504 million). This exceeded the Group's target range of £1.8 billion for 2023 due to additional management actions being delivered.

The operating expenses in the year ended 31 December 2023 of £97 million (2022: £78 million) represent corporate office costs, net of income earned on holding company cash and investment balances. The increase reflects the investment in the Group capabilities to support its growth strategies.

Debt interest of £229 million in the year ended 31 December 2023 (2022: £244 million) reflects interest paid on Group debt instruments. The decrease year-on-year is due to the repayment of debt in July 2022.

Non-operating net cash outflows of £111 million during the year ended 31 December 2023 (2022: £395 million) include £307 million of Group project expenses including £129 million relating to Group project expenses for the transition activity in relation to legacy platform migrations, £18 million for other ongoing integration programmes including ReAssure and SLOC, £56 million of investment related to Group growth propositions, and £12 million for Group Finance Transformation. These costs were partially offset by a £196 million inflow in respect of net collateral cash and hedge close-outs. Debt repayments and issuance in 2023 reflect the debt re-terming exercise the Group undertook in Q4 2023. The shareholder dividend of £520 million represents the payment of £260 million for the 2022 final dividend in May 2022 and the payment of £260 million for the 2023 interim dividend in September 2023.

£288 million (2022: £285 million) of funding was provided to certain of the Life Companies during the year ended 31 December 2023 to support the BPA activity in the period with £6.2 billion of premiums written.

Target cash flows

The Group has set a total cash generation target of £4.4 billion for the 3-year period from 2024 to 2026, comprising of £3.7 billion relating to operating cash generation and £0.7 billion relating to non-operating cash generation.

Operating Cash Generation

As part of the Group's evolved financial framework, the Group has introduced Operating Cash Generation ("**OCG**") as a new alternative performance metric to demonstrate the long-term sustainability of its cash generation. The Group's OCG totalled £1.1 billion in 2023, comprising £0.8 billion of surplus emergence and £0.3 billion of recurring management actions. The Group aims to grow OCG sustainably over the long-term through investing its surplus cash across its three strategic priorities of Grow, Optimise and Enhance. Together, these are expected to increase the Group's OCG by c.25 per cent. from £1.1 billion in 2023 to £1.4 billion in 2026, after which the Group expects its OCG to grow at a sustainable mid-single digit growth rate over the long-term. For more information, please refer to the section entitled "*Strategic report – Business review – Delivering sustainable cash generation*" on pages 30-33 of the 2023 Annual Report and Accounts of the Group, which is incorporated by reference in this Offering Memorandum.

The Group's expected uses of cash for the years 2024 to 2026 are set out in the table below.

	(£bn)
Illustrative 2024 – 2026 uses of cash	
Dividend, operating costs and debt interest	2.7
Annuities capital	0.6
Growth propositions	0.1
Asset and liability optimisation capabilities	0.1
Migration, transformation and cost efficiency	0.5
Debt repayment	0.5

Capital

The Group undertakes a Solvency II capital adequacy assessment, and is subject to Group supervision, at the level of the ultimate parent company, the Issuer.

Solvency II Surplus

A Solvency II capital assessment involves a valuation in line with Solvency II principles of the Group's Own Funds and a risk-based assessment of the Group's Solvency Capital Requirement ("**SCR**"). The Issuer's Own Funds differ materially from the Group's IFRS equity for a number of reasons, including the recognition of future shareholder transfers from the with-profits funds and future management charges on investment contracts, the treatment of certain subordinated debt instruments as capital items, and a number of valuation differences, most notably in respect of insurance contract liabilities and intangible assets.

The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5 per cent. over one year. This ensures that capital is sufficient to withstand a broadly '1-in-200 year event'.

The Group operates a PRA approved Solvency II Internal Model covering all Group entities with the exception of the ReAssure Companies, PLAE, SLIDAC, the Sun Life of Canada entities and the Group's Bermudan entities, the contributions of which to the Group SCR are determined in accordance with the Standard Formula.

Since the completion of the ReAssure Acquisition, the ReAssure Companies have adopted the Standard Formula for the purpose of determining their capital under Solvency II. Eventually, the Group intends to extend the scope of its Internal Model to include the UK ReAssure Companies and Sun Life Assurance Company of Canada entities.

The Issuer's consolidated Solvency II Surplus position at 31 December 2023 is set out in the table below:

	As at 31 December 2023	**As at 31 December 2022**
	(£bn)	*(£bn)*
Own Funds[(1)]	11.1	11.1
SCR[(2)]	(7.2)	(6.6)
Surplus[(3)(4)]	3.9	4.5

Notes:

(1) Own Funds includes the net assets of the life and holding companies calculated under Solvency II rules, pension scheme surpluses calculated on an IAS19 basis not exceeding the holding companies' contribution to the Group SCR and qualifying subordinated liabilities. It is stated net of restrictions for assets which are non-transferable and fungible between Group companies within a period of nine months.

(2) The SCR reflects the risks and obligations to which the Issuer is exposed.

(3) The surplus equates to a regulatory coverage ratio of 154 per cent. as at 31 December 2023 (2022: 168 per cent.).

(4) The Group's Solvency II surplus at 31 December 2023 incorporates a mandatory recalculation of transitional measures on technical provisions ("**TMTP**") at that date. Assuming a dynamic recalculation of TMTP as at 31 December 2022, the Group's Solvency II surplus would have been £95 million lower.

In the calculation of the Solvency II surplus, the SCR of unsupported with-profit funds and the Group's pension schemes is included, but the related eligible Own Funds are recognised only to a maximum of their respective SCR amounts. Excluding the SCR and Own Funds relating to the unsupported with-profit funds and pension schemes, the Shareholder Capital Coverage Ratio was 176 per cent. as at 31 December 2023 (189 per cent. as at 31 December 2022). The Group targets a Shareholder Capital Coverage Ratio of 140 to 180 per cent..

The Solvency II surplus excludes the surpluses arising in the Group's unsupported with-profits funds and unsupported pension schemes of £2.5 billion as at 31 December 2023. Surpluses that arise in with-profits funds and the Group's unsupported pension schemes, whilst not included in the Solvency II surplus, are available to absorb economic shocks. This means that the headline surplus is resilient to economic stresses.

The resilience of the combined Group's Shareholder Capital Coverage Ratio is demonstrated by illustrative stress testing as set out in the table below:

	Shareholder Capital Coverage Ratio
	(%)
Illustrative risk exposure stress testing[(1)]	
Solvency II base: As at 31 December 2023	176
Following a 20% fall in equity markets	5
Following a 100bps interest rates rise[(2)]	6
Following a 100bps interest rates fall[(2)]	(5)
Following a 50bps rise in long-term inflation[(3)]	(1)
Following a 12% fall in property values[(4)]	(5)
Following 135bps credit spread widening[(5)]	(4)
Following credit downgrade: immediate full letter downgrade on 20% of portfolio[(6)]	(9)
Following a 10% change in lapse rates[(7)]	(1)
Following 6 months increase in longevity[(8)]	(8)

Notes:

(1) Illustrative impacts assume changing one assumption on 1 January 2024, while keeping others unchanged, and that there is no market recovery. They should not be used to predict the impact of future events as this will not fully capture the impact of economic or business changes. Given recent volatile markets, the Group cautions against extrapolating results as exposures are not all linear.

(2) Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.

(3) Rise in inflation: 15-year inflation +50bps.

(4) Property stress represents an overall average fall in property values of 12 per cent.

(5) Credit stress varies by rating and term and is equivalent to an average 135bps spread widening. It assumes the impact of a dynamic recalculation of transitionals and makes no allowance for the cost of defaults/downgrades.

(6) Impact of an immediate full letter downgrade across 20 per cent. of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A, etc). This sensitivity assumes no management actions are taken to rebalance the

annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.

(7) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups.

(8) Applied to the annuity portfolio.

Minimum Capital Requirement

The solo minimum capital requirement ("**MCR**") is intended to be the minimum amount of capital an insurer is required to hold pursuant to Solvency II below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations. For groups, the minimum consolidated group SCR serves as a proxy for a 'group MCR'. The minimum consolidated Group SCR is referred to below as the "**MGSCR**" and represents the sum of the underlying insurance companies' MCRs in respect of the Group.

MCR is calculated according to a formula prescribed by the Solvency II regime and is subject to a floor of 25 per cent. of the SCR or €4.0 million, whichever is higher, and a cap of 45 per cent. of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk.

The eligible Own Funds to cover the MCR or MGSCR is subject to quantitative limits as shown below:

- the eligible amounts of Tier 1 items should be at least 80 per cent. of the MCR / MGSCR; and
- the eligible amounts of Tier 2 items shall not exceed 20 per cent. of the MCR / MGSCR.

The Group's MGSCR as at 31 December 2023 was £2.2 billion (31 December 2022: £2.3 billion).

The Group's eligible Own Funds to cover the MGSCR as at 31 December 2023 was £8.0 billion (31 December 2022: £8.2 billion) leaving an excess of eligible Own Funds over MGSCR of £5.8 billion (31 December 2022: £5.9 billion), which translates to an MGSCR coverage ratio of 362 per cent. (31 December 2022: 361 per cent.).

	31 December 2023	**31 December 2022**
	(£bn)	*(£bn)*
Tier 1	7.6	7.8
Tier 2	0.4	0.4
Total eligible Own Funds to cover MGSCR	8.0	8.2

See also the 2023 Annual Report and Accounts, the 2022 Annual Report and Accounts and the Phoenix 2023 SFCR and Phoenix 2022 SFCR as incorporated by reference in this Offering Memorandum.

Credit portfolio

As at 31 December 2023, the Group held within its shareholder and non-profit funds a portfolio of £13.6 billion of illiquid credit assets. The credit quality of the illiquid asset portfolio as at 31 December 2023 was: 20 per cent. AAA; 22 per cent. AA; 30 per cent. A; 26 per cent. BBB; and 2 per cent. BB and below.

During the period ended 31 December 2023, illiquid investment origination was £1.8 billion (compared to £3.5 billion as at 31 December 2022, equating to a 49 per cent. decrease). This included £1.2 billion of

environmental, social and governance investments (compared to £1 billion as at 31 December 2022, equating to a 20 per cent. increase).

The largest sectors represented in the portfolio within the shareholder and non-profit funds as at 31 December 2023 were gilts, sovereign, supranational and other government bonds (29 per cent.); real estate (14 per cent.); banks (12 per cent.); equity release mortgages (12 per cent.) utilities (7 per cent.); infrastructure (7 per cent.); non-cyclical consumer (4 per cent.); and technology and telecoms (4 per cent.). For further information, please refer to the section entitled "*Additional Life Company asset disclosures*" on pages 306-309 of the 2023 Annual Report and Accounts of the Group and slide 60 of the 2023 Annual Report Slides, which are incorporated by reference in this Offering Memorandum.

Indebtedness

The Group manages the level of debt on its balance sheet by monitoring its leverage position. The leverage position is managed by considering a range of factors including cash interest cover, the interplay of balance sheet hedging and the Group's Solvency II capital tiering headroom. In addition, the Group monitors a number of output metrics including the financial leverage ratio (as calculated by the Group in accordance with Fitch Ratings' stated methodology) and the Solvency II leverage ratio. The financial leverage ratio as at 31 December 2023 is 23 per cent. based on Fitch Ratings' stated methodology (23 per cent. as at 31 December 2022 on a restated basis) and is below the target range of 25 to 30 per cent.

The Solvency II leverage ratio as at 31 December 2023 was 36 per cent. (34 per cent. as at 31 December 2022).

The leverage ratios allow for currency hedges over foreign currency denominated debt as of 31 December 2023 and 31 December 2022.

Please see note E5 Borrowings to the 2023 Full Year Report and Accounts, as incorporated by reference herein and see also "*Material Contracts – Outstanding debt*" for further information on the Group's indebtedness.

Outsourcing Relationships

The Group's outsourced service providers are specialist providers of life and pensions administration services, asset management and fund administration services, with the know-how, expertise and business models that put asset management and administration at the core of their service offerings. The services provided by outsourced service providers include policy administration, human resources, financial administration, asset management and fund administration services. The most significant outsourcing relationships for policy administration services are with Diligenta and TCS.

As closed life funds run-off, fees generated from the management of policies generally decrease over time. Therefore, the Group continues to benefit from these outsourcing arrangements, which align in part its costs with the policy run-off profile of its book. The use of outsourced service providers in the Group's business segments enable the Group to better shift its cost base from a largely fixed cost base to a more variable per-policy basis. The Group's outsourced service providers are also able to offer their services at a competitive price per policy due to their larger economies of scale and infrastructure investments and furthermore, these partnerships allow for additional technical and operational expertise to be brought to bear at competitive pricing, whilst minimising any risk transfer to the Group.

The Group also has arrangements with a range of other service providers for other services. Such services include human resources services (including payroll), policyholder investment accounting services, annuity payment services, mailing services, telephony services, information technology application and management services (including cloud services), property investment services, storage and hardware services (including data centre provision), and facilities management services.

Phoenix remains committed to the extension of its partnership with TCS. The Group will be moving around 3 million policies from its ALPHA platform to the TCS BaNCS™ platform provided by TCS's UK subsidiary Diligenta, a leading provider of business process services to the life and pensions industry. Consolidating all policies on TCS BaNCS™ will allow the business to benefit from TCS's significant ongoing investment in the platform with the Group's customers benefiting from the clear digital focus, consistent customer journeys and customer proposition provided by one platform. The ALPHA platform will be decommissioned, with all policies moving on a staggered basis to TCS BaNCS™. It is expected this will be complete by 2026. Some back office administrative processes will be moved to TCS's operational hub in India. All of the customer call servicing will remain within TCS's UK operations with the plan to operate the customer contact centre from the Group's existing Telford site using ReAssure operational teams. This will eventually lead to the closure of the Group's site in Hitchin by 2026.

The Group will also be extending the TCS BaNCS™ platform to policyholders in Germany and Austria, and thereafter in other European markets. TCS will set up a customer operations centre in Germany, and a future-ready Life and Pensions Digital Platform for Germany and Austria, with capabilities to extend into other European markets. TCS will initially transform and migrate more than 400,000 policies comprising SLIDAC's German and Austrian life and pension books to its platform, and create comprehensive, omnichannel, journey-based digital experiences for policyholders and advisors.

Pensions

The Group's main staff pension scheme for its employees is the Phoenix Group Master Trust Pension Plan administered by Standard Life. For all employees who have reached the annual or lifetime allowance limits, a cash supplement is paid in lieu of pension contribution. Additionally, the Group also has legacy DC pensions with the Pearl Scheme, the Abbey Life Pension Scheme and the ReAssure Pension Scheme.

The Phoenix Group Master Trust Pension Plan

With effect from 1 July 2020, employees of the Group's legacy pension plans (excluding the members of the Group Flexible Retirement Plan described below) have defined contributions paid by the Group into the Phoenix Group Master Trust Pension Plan administered by Standard Life. This plan has an employer core contribution of 10 per cent. plus matching on a one for one basis up to a further 2 per cent., making total employer contributions a maximum of 12 per cent. Within the Group's Master Trust Pension Plan there are also legacy contribution structures which have been retained following acquisitions.

The Pearl Scheme

The Pearl Scheme comprises a final salary section, a money purchase section and a hybrid section (a mix of final salary and money purchase). The Pearl Scheme has no active members. On 17 November 2020, the Pearl Scheme trustees entered into the Commitment Agreement with PGH2 to complete a series of buy-ins that were completed on 16 November 2022 and all liabilities are fully insured with PLL. The Commitment Agreement replaced the 2012 Pensions Agreement made in respect of the Pearl Scheme.

The PGL Pension Scheme

Following the transfer of the liabilities to PLL in January 2024, the PGL Pension Scheme has no pension liabilities.

The Abbey Life Pension Scheme

The Abbey Life Pension Scheme is a final salary arrangement containing a small amount of defined contribution benefits, and is closed to new members and to future accruals, and contains no active members.

In June 2013 and June 2016 respectively, Abbey Life set up the 2013 Charged Account and the 2016 Charged Account into which payments were made under a funding agreement with the trustee.

The ReAssure Pension Scheme

The ReAssure Pension Scheme is a final salary arrangement containing a small amount of defined contribution benefits and is closed to new members and to future accruals.

Future funding requirements of ReAssure Pension Scheme are determined by the outcome of the triennial scheme valuation which was last performed at 31 December 2020 The scheme trustee's primary funding objective is the statutory funding objective, which is to have sufficient and appropriate assets to cover the scheme's technical provisions (the amount that the scheme trustee has determined to be required to make provision for the scheme's liabilities).

In December 2017, the Group set up a custody account (the "**Custody Account**"). This account has been included within the ReAssure Companies' financial investments as at 31 December 2022. The amount held in the Custody Account will be assessed at future valuations and additional payments will be made by the Group if this is deemed insufficient to meet the balance of the funding shortfall as at 31 December 2025. If the assumptions documented in the Statement of Funding Principles are borne out in practice, the amount expected to be held in the Custody Account as at 31 December 2025 would be more than sufficient to remove any remaining deficit at 31 December 2025.

The Sun Life of Canada Pension Scheme

The Sun Life of Canada Pension Scheme is a final salary arrangement containing a small amount of defined contribution benefits and is closed to new members and to future accruals. Over 90 per cent. of the defined benefits liabilities are insured under two transactions.

Pension Arrangements for UK legacy Standard Life employees

With effect from August 2018 a new defined contribution Group Flexible Retirement Plan ("**GFRP**") was established for legacy Standard Life employees transferring to the Group on the acquisition of Standard Life. This plan has an employer core contribution of 12 per cent. plus matching on a one for one basis up to a further 4 per cent., making total employer contribution maximum 16 per cent. This plan closed to new members from 1 July 2020 as all new employees will now join the Phoenix Group Master Trust Pension Plan administered by Standard Life. In addition, when a current colleague in the GFRP is promoted within the Group they move from the GFRP to the Master Trust arrangement.

Pension Arrangements for Irish based Standard Life Assets and Employee Services Limited and SLIDAC Employees

With effect from September 2018 the trust-based Phoenix Standard Life Defined Contribution Scheme was established for all SLAESL and SLIDAC employees transferring to the Group on the acquisition of Standard Life. This plan has an employer core contribution of 12 per cent. plus matching on a one for one basis up to a further 4 per cent., making total employer contribution maximum 16 per cent. This plan remains open to new employees in Ireland although from 1 July 2020 contribution rates for new members will be aligned to that of the Phoenix Group Master Trust Pension Plan administered by Standard Life at a core 10 per cent. plus matching on a one for one basis up to a further 2 per cent., making total employer contributions a maximum of 12 per cent.

As part of the RLL acquisition, the ReAssure Companies acquired the defined contribution scheme operated by RLL and RLL will administer the scheme for a period of time following the completion of the RLL acquisition. From January 2022, the ReAssure Companies moved to the Phoenix Group Master Trust Pension Plan. This plan has an employer core contribution of 10 per cent. plus matching on a one for one basis up to a further 2

per cent., making total employer contribution maximum 12 per cent. However, following the move, some legacy contribution structures still remain.

Employees

The Group had 7,757 employees as at 31 December 2023, of which 211 were considered to be "fixed term" employees with specified end dates.

The following table shows the number of employees of the Group as at 31 December 2023, 31 December 2022, 31 December 2021:

	Number of employees
As at 31 December 2023	7,757
As at 31 December 2022	8,333
As at 31 December 2021	8,045

The Group has a staff association, the Phoenix Colleagues Representative Forum ("**PCRF**"), which represents all employees (excluding the Executive Committee) across all heritages and geographies (excluding SunLife, Ireland and Germany). The PCRF works in partnership with the Group to find solutions which are to the benefit of employees while supporting the business strategy. The PCRF represents not just in collective and individual scenarios where statutory representation is required, but also offers support to employees through the employee lifecycle, bringing insight to business decision making in wellbeing, engagement, terms and conditions and Diversity, Equity & Inclusion.

Properties

In the UK, the Group primarily operates from leased office premises in London, Bristol, Basingstoke, Edinburgh and Hitchin, premises owned by the Group in Wythall and Telford and premises occupied under a licence in Norwich. In Europe, the Group operates from leased premises in Frankfurt, Graz and Dublin. The Group also operates from leased office premises in Hamilton, Bermuda.

Directors

The following table lists the names and positions of the Directors:

Name	**Position**
Nicholas Lyons	Chair of the Group Board and Chair of the Nomination Committee
Andy Briggs MBE	Group Chief Executive Officer
Rakesh Thakrar[1]	Group Chief Financial Officer

[1] Rakesh Thakrar will be stepping down as Group Chief Financial Officer and Stephanie Bruce will join the Group on 17 June 2024 and will thereafter be appointed as Interim Group Chief Financial Officer, subject to regulatory approval. She will not become a statutory director. See the Issuer's announcement dated 13 May 2024 entitled "*Directorate Change*", which is incorporated by reference in this Offering Memorandum.

Karen Green	Senior Independent Director and Chair of the Sustainability Committee
Eleanor Bucks	Independent Non-Executive Director
Belinda Richards	Independent Non-Executive Director
David Scott	Shareholder Nominated Non-Executive Director, abrdn plc
Hiroyuki Iioka	Shareholder Nominated Non-Executive Director, MS&AD Insurance Group Holdings, Inc.
John Pollock	Independent Non-Executive Director and Chair of the Risk Committee
Katie Murray	Independent Non-Executive Director and Chair of the Audit Committee
Maggie Semple OBE	Independent Non-Executive Director and Designated Non-Executive Director for Workforce Engagement
Mark Gregory	Independent Non-Executive Director
Nicholas Shott	Independent Non-Executive Director and Chair of the Remuneration Committee

The business address of each of the Directors is 20 Old Bailey, London, EC4M 7AN, United Kingdom.

On 1 December 2023, Nicholas Lyons returned to the Issuer as Chair of the Group Board of Directors and Chair of the Nomination Committee after taking a sabbatical as Lord Mayor of the City of London, during which Alistair Barbour fulfilled the role of Interim Chair from 1 September 2022 until 30 November 2023. Mr. Barbour remained on the Board of Directors until 31 December 2023 to ensure a comprehensive handover.

Other directorships/partnerships of the Board of Directors

In respect of each Director, details are set out below of the companies (not including any member of the Group) of which such Director has been a member of the administrative, management or supervisory bodies or partner at any time in the five years prior to the date of this Offering Memorandum:

Name	**Current directorship/partnership**	**Previous directorship/partnership**
Nicholas Lyons	Convex Group Limited Convex Insurance UK Limited Convex Re Limited The Lord Mayor's Appeal	Miller Insurance Services LLP Miller Re Limited British United provident Association Limited (The) Clipstone Logistics Reit plc Future Fuels No.1 LLP
Andy Briggs	Association of British Insurers UK Government Business Champion for Older Workers	Trustee of the NSPCC and Chair of their Income Generation Committee UK Government Business Champion for Ageing Society Grand Challenge
Rakesh Thakrar	Bupa Insurance Limited Bupa Insurance Services Limited Mythili Megha Limited	

Name	Current directorship/partnership	Previous directorship/partnership
Karen Green	Admiral Group plc ASTA Managing Agency Limited Great Portland Estates plc Miller Insurance Services LLP TMF Group BV Wellbeing of Women Cytora Limited Ffolkes Solutions Ltd	Aspen Managing Agency Limited Aspen Risk Management Limited Aspen Underwriting Limited Development Council of the Almeida Theatre Company Asta Corporate Member Limited Council of Lloyds of London
Eleanor Bucks	Lloyd's Investment Platforms ICAV Lloyd's Private Credit Fund SCSp, SICAV RAIF Lloyd's Investment Platform SCA SICAV - RAIF Lloyd's Investment Platform Lux GP S.à r.l.	Legal & General Suburban BTR (operations) Limited LGIM Real Assets (Operator) Limited
Belinda Richards	The Monks Investment Trust Public Limited Company Schroder Trust plc Olam Food Ingredients	Jupiter Fund Management plc WM Morrison Supermarkets PLC Youth Sport Trust Avast plc
David Scott	Focus Business Solutions Limited Aberdeen Corporate Services Limited	University of St Andrews Students' Association (Charity)
Hiroyuki Iioka	Challenger Limited MS&AD Insurance Group Holdings, Inc	ReAssure Jersey One Limited ReAssure Group PLC
John Pollock	None	None
Katie Murray	NatWest Group PLC National Westminster Bank Public Limited Company NatWest Holdings Limited The Royal Bank of Scotland Public Limited Company	Money & Pensions Service Ulster Bank, Limited
Maggie Semple	JN Bank UK Limited Maggie Semple Limited The Experience Corps Creative Dialogue Limited I-Cubed Group Ltd MS Advisory Group Limited Crest Nicholson Holdings plc	South Bank Arts Centre, London
Mark Gregory	Direct Line Insurance Group plc Churchill Insurance Company Limited	Entain Holdings Limited Jupiter Investment Management Limited

Name	Current directorship/partnership	Previous directorship/partnership
	Westdown Park Management Company Limited	Merian Global Investors Holdings Limited
	UK Insurance Limited	Merian Global Investors Limited
		Merian Global Investors (Jersey) Limited
		Merian Global Investors (Finance) Limited
Nicholas Shott	28 Smith Street Limited	Home Office
	Deverill Consultancy Limited	Lazard & Co. Limited
		Lazard & Co. Holdings Limited
		Lazard & Co. Services Limited

Conflicts of interest and other matters

The Issuer is not aware of any conflicts of interest between any duties owed by the Directors to the Issuer and their private interests or other duties, save that David Scott has been nominated to the Board of Directors by abrdn under the terms of a relationship agreement which regulates the Issuer and abrdn's relationship. Similarly, Hiroyuki Iioka has been nominated to the Board of Directors by MS&AD Insurance Group Holdings, Inc., pursuant to the ReAssure Relationship Agreements.

Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) (i) have been entered into by the Issuer or another member of the Group within the two years immediately preceding the date of this Offering Memorandum which are, or may be, material to the Group or (ii) have been entered into prior to such period and contain provisions under which a member of the Group has an obligation or entitlement which is material to the Group.

ReAssure Relationship Agreement

Following the ReAssure Acquisition, the Issuer entered into a relationship agreement with MS&AD Insurance Group Holdings, Inc. ("**MS&AD**"), with effect upon the transfer by Swiss Re to MS&AD of the Acquisition Shares that represent 10 per cent. or more of the Issuer's total issued share capital pursuant to the ReAssure Share Purchase Agreement, to govern MS&AD's holdings of shares in the Issuer and the continuing relationship between the Issuer and MS&AD following completion of the ReAssure Acquisition (the "**ReAssure Relationship Agreement**"). The ReAssure Relationship Agreement came into effect on 23 July 2020.

The ReAssure Relationship Agreement will cease to be effective if: (i) the Issuer's shares are no longer listed on the premium listing segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange; or (ii) MS&AD group and its associates (excluding any member of the Group) (the "**MS&AD Group Members**"), cease to be interested in aggregate in at least 10 per cent. of the shares in the Issuer from time to time (excluding the shares held by the MS&AD group, (a) for the purposes of providing asset management services to a person other than a MS&AD Group Member; or (b) on behalf of a customer other than another MS&AD Group Member, (together, the "**Asset Management Shares**"), the relationship agreement between the Issuer and MS&AD, will also cease to be effective.

The ReAssure Relationship Agreement provides, among other things, that subject to compliance with applicable law or regulations, for so long as the aggregate holding of shares in the Issuer by all MS&AD Group Members

(excluding any Asset Management Shares), is at least 10 per cent. of the entire share capital of the Issuer, MS&AD shall be entitled to appoint (and remove and reappoint) one non-executive director to the Board of Directors of the Issuer.

SLAL Share Purchase Agreement

On 23 February 2018, PGH Cayman (as buyer) and SLA (now abrdn) (as seller) entered into a share purchase agreement, which was amended and restated on 28 May 2018 and on 31 August 2018 (the "**SLAL Share Purchase Agreement**"). Under its terms the entire share capital of SLAL was transferred to PGH Cayman on 31 August 2018 and SLA (now abrdn) gave certain indemnities to PGH Cayman. On 23 February 2021 asset management components of the SLAL Share Purchase Agreement were extended to February 2031.

Under the SLAL Share Purchase Agreement, there may be an adjustment to the price paid by PGH Cayman in respect of the SLA Acquisition in connection with withdrawals of certain assets in specific circumstances from SLA's (now abrdn's) management. The adjustment will be commensurate to the projected value of fees lost by SLA (now abrdn) as a result of the withdrawal, taking into account the likely run-off profile of the withdrawn assets.

Relationship Agreement

On 31 August 2018, Standard Life Aberdeen (now abrdn) and PGH Cayman entered into a relationship agreement to govern Standard Life Aberdeen's holding of PGH Cayman shares and the continuing relationship between the parties following completion of the SLA Acquisition. On 11 December 2018, a new relationship on substantially the same terms was entered into by Standard Life Aberdeen and the Issuer (the "**Relationship Agreement**").

The Relationship Agreement provides, among other things, that subject to compliance with applicable law or regulations, for so long as the aggregate holding of the Issuer's shares by all abrdn group members (excluding certain shares) is (i) at least 15 per cent. of the shares, abrdn shall be entitled to appoint (and remove and reappoint) two non-executive directors to the Board of Directors of the Issuer and (ii) at least 10 per cent. of the shares (but less than 15 per cent.), abrdn shall be entitled to appoint (and remove and reappoint) one non-executive director to the Board of Directors of the Issuer. The Relationship Agreement also addresses transactions and relationships between members of the Issuer and abrdn groups and includes certain provisions in relation to the acquisition and disposal of the Issuer's shares.

Revolving Credit Agreement – June 2026

The Issuer is party to the Revolving Credit Agreement. Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate principal amount equal to £1.75 billion (of which £500m may also be used as a multicurrency swingline facility), which bears a floating rate of interest. The final maturity date of the facility under the Revolving Credit Agreement is 27 June 2026. There are no mandatory or target amortisation payments associated with the facility (but the facility is subject to customary event-driven mandatory prepayment obligations). Voluntary prepayments are permissible. As at the date of this Offering Memorandum, the Revolving Credit Agreement is undrawn.

Outstanding debt

As at the date of this Offering Memorandum, the Group has the following outstanding capital markets debt instruments, all of which are issued by the Issuer:

Title	Date Issued	Listing[1]
£350,000,000 7.75 per cent. Fixed Rate Reset Tier 2 Notes due 2053	6 December 2023	LSE
U.S.$350,000,000 4.750 per cent. Fixed Rate Reset Tier 2 Notes due 2031	4 June 2020	ISM
£500,000,000 5.625 per cent. Tier 2 Notes due 2031	28 April 2020	LSE
U.S.$750,000,000 5.625 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes	29 January 2020	LSE
£500,000,000 5.867 per cent. Tier 2 Notes due 2029	13 June 2019[2]	PSM
£250,000,000 5.766 per cent. Fixed Rate Reset Callable Tier 2 Notes due 2029	13 June 2019[2]	PSM
£250,000,000 4.016 per cent. Tier 3 Notes due 2026	13 June 2019[2]	PSM
€500,000,000 4.375 per cent. Tier 2 Notes due 2029	24 September 2018	LSE
£500,000,000 5.75 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes	26 April 2018	GEM
U.S.$500,000,000 5.375 per cent. Tier 2 Notes due 2027	6 July 2017	LSE
£197,164,000 6.625 per cent. Subordinated Notes due 2025	23 January 2015	LSE

Notes:

(1) London Stock Exchange (LSE), International Securities Market (ISM) of the London Stock Exchange, Professional Securities Market (PSM) of the London Stock Exchange, Global Exchange Market (GEM) of the Irish Stock Exchange.

(2) The Issuer was substituted as principal debtor in place of ReAssure Group plc on 22 July 2020.

REGULATORY OVERVIEW

Overview

The Group's operations are subject to extensive government regulation, including FSMA, the Data Protection Act 2018 and other UK laws. Some of these laws require, and will require, the relevant Group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the UK.

Whilst the bulk of the Group's activities are carried out in the UK, reference is also drawn to non-UK laws and regulation where appropriate. Brexit has resulted in changes to the UK's regulatory system, and further changes may occur over time. Changes to law and regulation in the EU may also have implications for UK businesses if the UK and EU regulatory systems diverge.

Regulators and approach to regulation

All of the insurance companies in the UK are currently dual-regulated by the FCA (for conduct matters) and the PRA (for prudential matters), whilst other firms are solely regulated by the FCA (for both conduct and prudential matters). These entities are subject to regulation and supervision by the FCA and must comply with the FCA's conduct of business and prudential rules made under FSMA and set out in the FCA Handbook. SLIDAC and PLAE are authorised and regulated solely by the CBI and PRL is authorised and regulated by the BMA.

The FCA employs a risk based and proportionate approach to supervision. The FCA's supervision model is based on three pillars: (1) the Firm Systematic Framework (FSF) – preventative work through structured conduct assessment of firms; (2) event-driven work – dealing with problems that are emerging or have crystallised, and securing customer redress or other remedial work where necessary; and (3) issues and products – thematic work on sectors of the market or products within a sector that are putting or may put consumers at risk.

The PRA employs a judgement-based, forward looking and focused approach to regulation using a proactive intervention framework to identify and respond to risks at an early stage. The position of each insurer is reviewed regularly to ensure that the PRA's level of supervision is appropriate.

The FCA and PRA expect firms to avoid actions that would run contrary to the FCA's and PRA's statutory objectives. When the FCA and PRA are concerned that a firm may present a risk this may lead to actions being taken under FSMA, including (for example) the requirement to maintain a higher level of regulatory capital or a detailed review of a particular issue being undertaken by an external consultant.

Additionally, the Bank of England is responsible for ensuring and protecting the stability of the UK financial system and supervising financial market infrastructures. The Bank of England has specific responsibilities in relation to financial stability, including:

- ensuring the stability of the financial system of the UK;
- the oversight of financial market infrastructures, in particular, inter-bank payment systems; and
- maintaining a broad overview of the financial system through its monetary stability role.

In addition to the FCA and PRA, The Pensions Regulator (the "**TPR**") is relevant as the regulator of work-based pension schemes (including occupational, personal and stakeholder pension schemes) in the UK. See the section titled "*The Pensions Regulator*" below.

Overview of FSMA regulatory regime: dual regulators

The FCA and PRA regulate persons carrying out the regulated activities prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended, in the financial services sector. In this regard, the FCA and PRA are authorised to make rules and issue guidance in relation to a wide sphere of activities encompassing the governance of a firm, the way it conducts its business and the prudential supervision of firms. The FCA regulates the conduct of every authorised firm (including firms who are also regulated by the PRA). The PRA has responsibility for carrying out the prudential regulation of insurance companies, banks, building societies, credit unions, certain friendly societies and systemically important designated investment firms. These firms are referred to as "dual-regulated" because they are authorised and regulated by the PRA (for prudential matters) and also regulated by the FCA (for conduct matters).

Permission to carry on "Regulated Activities"

Under FSMA, no person may carry on or purport to carry on a regulated activity by way of business in the UK, in respect of a specified investment or property, unless they are an authorised or exempt person. A firm that is authorised by the PRA or FCA to carry on regulated activities becomes an authorised person for the purposes of FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include insurance-related activities and investment activities (which includes managing investments), as well as certain other activities. Where an entity is domiciled outside the UK, other regulatory authorities' authorisation may need to be sought. See "Other regulatory systems" below.

Authorisation procedure

In granting a UK firm's application for authorisation, the FCA and PRA (if applicable) may delineate the scope of, and include such restrictions on, the grant of permission as the relevant regulator deems appropriate. Dual regulated firms must apply to the PRA for authorisation, whilst solo regulated firms (i.e. firms regulated solely by the FCA) must apply to the FCA. In granting or varying the terms of a firm's permissions, the FCA and PRA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances.

Once authorised, and in addition to continuing to meet the threshold conditions for authorisation, firms are obliged to comply (as relevant) with the FCA Handbook and the book of rules and guidance, including as to regulatory capital requirements, maintained by the PRA (the "**PRA Rulebook**") which, between them, contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e. capital) requirements.

Principles for Businesses

The FCA Handbook and the PRA Rulebook contain high level standards for conducting financial services business in the UK, known as the Principles for Businesses (in the case of the FCA Handbook) and the Fundamental Rules (in the case of the PRA Rulebook). All firms are expected to comply with these standards, which cover matters including the maintenance of adequate systems and controls, treating customers fairly, communicating with customers in a manner that is clear, fair and not misleading, being open and co-operative with the FCA and PRA and acting to deliver good outcomes for retail customers.

Future Regulatory Framework Review

Following a review of how financial services policy and regulation are made in the UK following Brexit, known as the "Future Regulatory Framework Review", and the subsequent introduction of enabling provisions contained in the Financial Services and Markets Act 2023, much of the financial services legislation that was derived from the EU is in the process of being repealed and replaced by rules contained in the PRA Rulebook

and the FCA Handbook. For example, the UK government intends that many elements of the Solvency II framework, which are currently set out in legislation, will instead ultimately form part of the PRA Rulebook (see *"Solvency II"* below). The movement of EU-derived laws from legislation to regulator-set rules will devolve greater power to the PRA and the FCA for developing and maintaining detailed regulatory requirements for firms. The regulators will, however, operate within a policy framework created by Parliament and HM Treasury and will be accountable to, and scrutinised by, them.

See also the risk factor "*The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies*" regarding the replacement of Section 377 FSMA and the introduction of an IRR.

Application of FSMA regulatory regime to the Group

Each of the Group's principal UK insurance and investment businesses is subject to regulation and supervision by the PRA and FCA in the carrying-on of the Group's regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Group's insurance and investment business in the UK.

Regulation applicable to the Group's insurance business

Supervision of management and change of control of authorised firms

One of the methods by which the FCA and PRA supervise the management of authorised firms is through the Senior Managers & Certification Regime ("**SMCR**").

The SMCR has applied to insurers since 10 December 2018 and to other regulated firms in the Group since 9 December 2019, and comprises the following elements:

- a senior managers' regime, which applies to individuals performing a senior management function ("**SMF**"). An SMF is a function that requires the person performing it to be responsible for managing one or more aspects of the relevant firm's affairs (so far as such affairs relate to regulated activities) and those aspects involve, or may involve, a risk of serious consequences for the relevant firm, or for business or other interests of the UK. Firms must ensure that every activity, business area and management function has an SMF with overall responsibility for it. Appointment of an individual performing an SMF requires regulatory approval;
- a certification regime, which applies to employees of relevant firms who could pose a risk of significant harm to the firm or to any of its customers. Such employees are not pre-approved by the PRA or FCA. Rather firms are required to certify that such employees are fit and proper to perform their roles on at least an annual basis; and
- conduct rules, which are high level requirements that apply to most employees (other than ancillary staff) and non-executive directors of an insurer.

On 30 March 2023, HMT published a call for evidence on the SMCR. In parallel, the FCA and PRA published a joint discussion paper on potential ways to improve the regime. HMT's call for evidence focuses on the legislative aspects of the regime while the joint discussion paper from the FCA and PRA focuses on the regulatory framework.

The focus of the review is on introducing efficiencies into the regime and reducing the administrative burden on firms rather than more fundamental reform. The review covers every aspect of the regime, including its impact on the international competitiveness of the UK. Previous reviews of the SMCR have been more limited in scope. The Group submitted a response to both papers. HMT and the regulators have not yet published responses to the papers they published in March 2023.

Systems and Controls Sourcebook (SYSC)

Provisions relating to the requirement to manage risks in general and details relating to management of particular types of risk are set out in the PRA Rulebook and in SYSC of the FCA Handbook. There are rules in SYSC which elaborate on the Principles for Businesses and aim to encourage senior managers and directors to take appropriate practical responsibility for an insurer's affairs. Other rules in SYSC are intended to ensure that, among other things:

- the insurer's employees have suitable skills, knowledge and expertise;
- the insurer has in place appropriate risk management systems and controls; and
- the insurer has in place appropriate compliance, record-keeping and audit systems.

Change of control of authorised firms

The FCA and PRA also regulate the acquisition and increase of control over authorised firms. Under FSMA, any person proposing to acquire control of, or increase (or decrease) control over, an authorised firm must first, in the case of an acquisition or increase of control, obtain the consent of the FCA and, if necessary, the PRA or, in the case of a decrease of control, notify the relevant regulator(s). In relation to dual regulated firms, such as the UK Life Companies, approval to the change of control is sought from the PRA who will consult with the FCA. In considering whether to grant or withhold its approval to the change of control, the FCA and PRA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by its acquisition of, or increase in, control.

A person ("**A**"), will acquire control (in accordance with Section 181 FSMA, and be a "controller") of an authorised person ("**B**") if they hold:

(a) 10 per cent. or more of the shares in B or a parent undertaking of B ("**P**");

(b) 10 per cent. or more of the voting power in B or P; or

(c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether person A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A (pursuant to an explicit or implicit agreement between them), if any, are aggregated.

A person ("**A**") will be treated as increasing (or decreasing) his control over an authorised firm ("**B**"), requiring prior approval from (or in the case of a decrease, notification to) the FCA (and PRA, if appropriate) if:

(a) the level of his percentage shareholding or voting power in B or P crosses the 20 per cent., 30 per cent. or 50 per cent. threshold; or

(b) if A becomes a parent undertaking of B.

A person ("**A**") will cease to have control over an authorised person ("**B**") if A ceases to be in the position of holding:

(a) 10 per cent. or more of the shares in B or in a parent undertaking of B ("**P**");

(b) 10 per cent. or more of the voting power in B or P; or

(c) shares or voting power in B or P as a result of which A is able to exercise significant influence over the management of B.

Intervention and enforcement

The FCA and PRA have extensive powers to intervene in the affairs of an authorised firm and monitor compliance with their objectives, including withdrawing a firm's authorisation, prohibiting individuals from carrying on regulated activities, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules. For example, the PRA and the FCA can supervise and/or intervene should they consider it appropriate in order to protect policyholders against a risk that an insurer may be unable to meet its liabilities as they fall due, that the threshold conditions (as discussed in more detail below) may cease to be met, that the insurer has failed to comply with obligations under the relevant legislation or rules, that the insurer has furnished them with misleading or inaccurate information or that there has been a substantial departure from any proposal or forecast submitted to the relevant regulator.

At present, results of enforcement action are published only at the conclusion of an investigation. Changes proposed by a February 2024 FCA Consultation Paper would enable the FCA to publicise the commencement of an enforcement investigation (naming the subject of the investigation) and updates as the investigation progresses; the consultation period for these proposed changes closed on 30 April 2024. However, the House of Lords Financial Services Regulation Committee and the Chancellor of the Exchequer have raised concerns about these proposals, citing the FCA's new competitiveness and economic growth objective as an argument against the FCA's suggested approach.

The FCA can also sanction persons who commit market abuse. In addition to its ability to apply sanctions for market abuse and other civil penalties, the FCA has the power to institute criminal proceedings, including for certain criminal offences under:

- FSMA or any statutory instruments made under it (with the exception of certain provisions for which the PRA is the relevant regulator);
- the Financial Services Act 2012;
- the insider dealing provisions of the Criminal Justice Act 1993; and
- certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

The FCA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FCA and PRA may also vary or revoke a firm's permission to carry on regulated activities for reasons including (i) if it is desirable to protect the interests of consumers or potential consumers; (ii) if the firm has not engaged in regulated activity for 12 months; or (iii) if it is failing to meet the threshold conditions for authorisation. The FCA and PRA have further powers to apply to the High Court in England and Wales (the "**Court**") for injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FCA and PRA have made a decision in respect of an authorised firm or an individual, the person affected may refer the matter to the Upper Tribunal (Tax and Chancery Chamber). Breaches of certain FCA and PRA rules by an authorised firm may also give a private person, who suffers loss as a result of the breach, a right of action against the authorised firm for damages.

The FCA and PRA, although not creditors, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorised firm or have standing to be heard in the voluntary winding-up of an authorised firm. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up and that write-down orders for the liabilities of an insurer under Section 377A FSMA may not be applied for without the consent of the PRA. The FCA also has the ability to issue fines against firms who breach relevant competition laws.

FCA Conduct of Business Rules

The FCA's Conduct of Business Rules (the "**Conduct of Business Rules**") apply to every authorised firm carrying on regulated activities in the UK and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on regulated activities. Whilst the FCA is primarily responsible for conduct regulation, the PRA will also seek to ensure that firms that it regulates conduct their business in a safe and sound manner.

The scope and range of obligations imposed on an authorised firm under the Conduct of Business Rules vary according to the nature of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest and report appropriately to its clients.

The FCA's Supervision Manual contains specific requirements for insurers that have ceased to take on new business and are in run off. Equally some of the FCA Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

Operational Objectives and Consumer Outcomes

The FCA has three operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the UK financial system; and (iii) to promote effective competition in the interests of consumers. In 2023, the FCA was given a secondary objective of promoting the international competitiveness and growth of the UK economy.

The first objective is central to the FCA's expectation of a firm's conduct and is underpinned by six Treating Customers Fairly outcomes: (i) consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture; (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly; (iii) consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale; (iv) where consumers receive advice, the advice is suitable and takes account of their circumstances; (v) consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect; and (vi) consumers do not face unreasonable post sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

The PRA also has three operational objectives: (i) a general objective to promote the safety and soundness of the firms it regulates, focussing on the adverse effects they can have on the stability of the UK financial system; (ii) an objective specific to insurance firms, to contribute to ensuring that policyholders are appropriately protected; and (iii) as a secondary objective, to facilitate effective competition in the markets for services provided by PRA-authorised firms. Like the FCA, in 2023, the PRA was given a further secondary objective of promoting the international competitiveness and growth of the UK economy.

Consumer duty

The FCA has introduced a new "Consumer Duty" (the "**Consumer Duty**") on firms that provide services to retail clients that sets higher expectations for the standard of care that firms provide and requires firms to put their customers' needs first. In summary the duty requires relevant firms to ask themselves what outcomes consumers should be able to expect from their products and services, act to enable rather than hinder those outcomes and assess the effectiveness of their actions. The rules and guidance are being introduced on a phased

basis: for new and existing products or services that are open to sale or renewal, the rules came into force on 31 July 2023, and for closed products or services, the rules will come into force on 31 July 2024.

The Consumer Duty rules include:

- A new Principle 12: requirement to act to deliver good outcomes for retail clients.
- Cross-cutting rules that sit beneath Principle 12: act in good faith, avoid foreseeable harm, and support retail customers to pursue their financial objectives.
- Customer outcomes rules and guidance: these focus on products and services, price and value, consumer understanding and consumer support.

The Consumer Duty overlaps with existing Principles and outcomes relating to treating customers fairly and, where it applies, results in the disapplication of Principles 6 (Customers' interests/Treating customers fairly) and 7 (Communications with clients). The FCA considers that everything that would have been required by Principles 6 and 7 is still required by Principle 12, but Principle 12 generally imposes a higher standard than Principles 6 and 7 would have otherwise required. The new rules are designed to provide clarity on the FCA's expectations under Principle 12.

Prudential supervision

As set out above, in order to maintain authorised status under FSMA, a firm must continue to satisfy the threshold conditions for authorisation, which, among other things, require the firm to have adequate financial resources for the carrying on of its business. The FCA and PRA have published detailed rules relating to the maintenance of minimum levels of regulatory capital for investment and insurance businesses in the FCA Handbook and PRA Rulebook, respectively. For further information, see the paragraph headed "*Solvency II*" below.

The Financial Ombudsman Service ("FOS")

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the FOS which is intended to provide speedy, informal and cost-effective dispute resolution of complaints made against authorised firms by individuals, small and medium-sized business customers and some charities and trusts. The FOS is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint.

The Financial Services Compensation Scheme ("FSCS")

The FSCS is intended to compensate individuals, small businesses and certain other categories of customer for claims against a UK authorised firm where the authorised firm is unable or unlikely to be able to meet those claims (generally, when it is insolvent or has gone out of business). The scheme is also intended to promote confidence in the financial system by limiting the systemic risk that the failure of a single firm might trigger a wider loss of confidence in the relevant financial sector. The scheme covers banking, insurance, investment business and mortgage advice, reflecting the different kinds of business undertaken by authorised firms. It is funded primarily by levies on participating firms that consist of (i) a management expenses levy comprising a base costs levy that relates to the cost of running the FSCS each year and a specific cost for the running costs attributable to a specific funding class and (ii) a compensation costs levy which relates primarily to the costs incurred by the FSCS in paying compensation. Note that, in respect of SLIDAC and PLAE, there is not an equivalent Irish compensation scheme for life insurers authorised in Ireland.

Conduct of Business requirements for insurance business

The Conduct of Business Rules issued by the FCA apply differing requirements to the sale of (i) general insurance contracts and (ii) long-term insurance contracts. Within (ii), more stringent requirements apply where the contract has an investment value or otherwise is a product which historically gave rise to mis-selling problems. Authorised firms which advise and sell packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for retail customers, the range and scope of the advice which the firm provides, and fee and remuneration arrangements.

Money Laundering and Financial Crime

The Group's entities are required to comply with UK money laundering legislation which enacts the Financial Action Task Force's recommendations to combat money laundering and terrorist/proliferation financing. The FCA has a duty to consider the importance of minimising the risk of the insurance companies that it regulates being used for financial crime and therefore looks at measures an insurer takes to monitor, detect and prevent financial crime. This includes measures, systems and controls in respect of fraud, money laundering, terrorist and proliferation financing, data security, bribery and corruption, and prevention of facilitation of tax evasion.

Sanctions Compliance

The Group is compliant with the requirements of the Sanctions and Anti-Money Laundering Act 2018. Processes and procedures are undertaken across the Group to screen customers, staff, suppliers and payments, identify any potential risks and designations and, where appropriate, to freeze funds and report to the Office of Financial Sanctions Implementation. The FCA monitors the overall compliance of insurance companies it regulates and insurance companies are also required to report any breaches of sanctions legislation to the relevant authority.

Whistleblowing

In October 2015, the PRA and FCA published policy statements containing new rules in relation to whistleblowing by employees with respect to the conduct of their employers or others within their firm. The rules are designed to encourage individuals with concerns about a firm's practices to raise them, and to ensure that such concerns are properly managed and reported to the regulator where appropriate.

The rules apply to:

- insurance and reinsurance firms within the scope of Solvency II and the Society of Lloyd's and managing agents;
- PRA-designated investment firms; and
- UK deposit takers with assets of £250 million or more (including banks, building societies and credit unions).

Under the rules, such firms must:

- appoint a senior manager in accordance with the requirements of the SMCR who is a non-executive director to act as a "whistleblowers' champion". The whistleblowers' champion is responsible for oversight of the firm's whistleblowing policies and procedures, and for ensuring an annual report on whistleblowing is presented to the board and made available to the regulator;
- put internal arrangements in place to handle any type of disclosure by any person (including anonymous disclosures) as opposed to only those disclosures that currently fall within the scope of the Public Interest Disclosure Act 1998;

- put in place systems which protect confidentiality, allow for the escalation of concerns to the appropriate regulator, track the outcome of whistleblowing reports, provide feedback to whistleblowers and have measures in place to protect whistleblowers from victimisation;
- inform the FCA and the PRA if there is an unsuccessful judgment against the firm in an employment tribunal claim for whistleblowing and there are findings relating to a claim that the whistleblower was victimised;
- ensure that employees based in the UK are informed about the whistleblowing services offered by the PRA and the FCA and they can approach these regulators directly without first raising concerns with their employer; and
- ensure their appointed representatives and tied agents inform their own staff about the FCA and the PRA's whistleblowing arrangements.

Insurance Distribution

The UK insurance distribution regime is derived in part from the EU's Insurance Distribution Directive, which was initially transposed into UK law through legislation, regulations and FCA rules, including amendments to FSMA, and the FCA's Insurance Conduct of Business Sourcebook and Conduct of Business Sourcebook. Similarly to Solvency II, to the extent that on-shoring was necessary following the expiry of the Brexit transitional period, policy changes were only made to the extent necessary to reflect the UK's position outside the EU. A number of onshored delegated acts relating to the IDD have subsequently been revoked and their contents moved to the FCA Handbook.

The UK's insurance distribution regime aims to ensure a level playing field between all participants involved in the sale of insurance products, and to strengthen policyholder protection. Key elements of the regime include:

- identifying, managing and mitigating conflicts of interest;
- enhancing the suitability and objectiveness of insurance advice;
- mandatory disclosure at the pre-contractual stage by insurance intermediaries of the nature and basis (but not amount) of remuneration received;
- ensuring that sellers' professional qualifications match the complexity of the products that they sell; and
- the availability of appropriate administrative sanctions for breaches of the relevant requirements.

With-profit business

The FCA and PRA have published a Memorandum of Understanding which sets out how the two regulators will co-operate in their supervision of insurers with policyholders who hold with-profits insurance policies. The FCA is responsible for satisfying itself that firms are acting to deliver good customer outcomes in relation to the exercise of discretion whilst the PRA's focus is on ensuring that discretionary increases in liabilities do not adversely affect the insurer's ability to meet, and continue to meet, the PRA's standards for safety and soundness.

Actuarial functions

Every insurance company that is regulated under Solvency II must appoint one or more persons (external or in-house) to perform the "actuarial function" in respect of all classes of its long-term insurance business. In addition, if it is regulated by the PRA and has any with-profit business, it must appoint one or more actuaries to perform the "with-profits actuary function" in respect of its with-profit business.

The FCA Handbook requires that an actuary appointed to perform the with-profits actuary function must, among other things: (i) advise the firm's management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the with-profits insurance business of the firm in respect of which the actuary has been appointed; (ii) advise the firm's governing body as to whether the assumptions used to calculate the future discretionary benefits within the firm's relevant technical provisions are consistent with the firm's Principles and Practices of Financial Management ("**PPFM**") in respect of those classes of the firm's with-profits insurance business; and (iii) at least once a year, report to the firm's governing body on key aspects (including those aspects of the firm's application of its PPFM on which the advice described has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of with-profits insurance business of the firm. The FCA Handbook additionally requires that the firm's with-profits committee (or if appropriate with-profits advisory arrangement) work closely with and obtain the input of the with-profits actuary as appropriate, as well as assess the with-profits actuary's performance at least annually and report on the same to the Board of Directors.

Distribution of profits and with-profit business

The PRA Rulebook requires firms carrying on with-profits business to ensure that their distribution of profit strategies are affordable and sustainable and cannot reasonably be expected to have an adverse impact on the safety and soundness of the firm as a whole or on the benefit security of all policyholders of the firm. For further information, see the paragraph headed "*Solvency II*" below.

The FCA Handbook also contains provisions that are relevant to the distribution of profits particularly geared toward the need to treat policyholders fairly. It also mandates that firms carrying on with-profit business must:

- define and make publicly available the PPFM applied in their management of with-profit funds;
- ensure their governance arrangements offer assurance that they have managed their funds in line with the PPFM they have established and published;
- produce annual reports for with-profit policyholders on how they have complied with this obligation, including how they have addressed any competing or conflicting rights, interests or expectations of policyholders and, if applicable, shareholders;
- comply with (i) modified regulatory reporting requirements designed to achieve the PRA's objective of making directors and senior management more explicitly responsible for setting up technical provisions and other decisions taken on actuarial advice and (ii) new audit requirements for liabilities; and
- comply with consequential changes to certification in the insurance returns.

Transfers of insurance business

Any transfer of UK insurance business (an "insurance business transfer scheme" as defined under FSMA) must be effected in accordance with Part VII of FSMA and relevant secondary legislation, which requires a scheme of transfer to be prepared and approved by the Court of Session in Scotland or the High Court in England and Wales (the "**Courts**" and each a "**Court**"). Amongst other things, a report of an independent expert is required on the terms of the scheme, which would consider (amongst other things) whether the proposed transfer would have a material adverse impact on the security of benefits for any type or group of policyholders. The regulators also have an important role in scrutinising any Part VII transfers, including liaising with the independent expert and writing a report for the Court giving their views on the transfer. A Part VII scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of insurance business to another approved insurer by operation of law without the need for individual policyholder consent, although policyholders have the right

to object to the proposed scheme at the Court hearing. A scheme of transfer may also allow for the transfer of assets and other contracts related to the insurance business so as to give proper effect to the transfer. A transfer of insurance business means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company.

Solvency II and Solvency UK

The overarching framework for the prudential regulation of UK-regulated insurance companies, known as "Solvency II", has applied since 1 January 2016. The UK's version of Solvency II derives directly from the original EU version of the Solvency II regime. Consistent with the general approach to the onshoring of EU law, following the end of the Brexit transitional period on 31 December 2020, the original EU version of Solvency II was retained in the UK in substantially complete form with policy changes only being made to the extent they are necessary to reflect the UK's position outside of the EU. However, the UK and EU rules have started to diverge and are likely to continue to diverge in future, including as a result of reform processes that are currently underway in both the UK and EU.

In the UK, the government and the PRA have been working to identify potential improvements that might be made to the UK version of Solvency II regime since 2020. This revised framework will be known as "**Solvency UK**". In November 2022, the government set out its final package for reform, providing a blueprint for the overall reform package, which includes:

- a reduction to the risk margin for life and non-life insurance business;
- in relation to Matching Adjustment portfolios:
    - an increase in the risk sensitivity of the current fundamental spread approach to measuring credit risk arising from the firm's assets;
    - requiring senior managers to attest to the sufficiency of their firm's fundamental spread and the firm's ability to earn the resulting Matching Adjustment;
    - widening the range of investments that insurers are able to include in their Matching Adjustment portfolios so as to embrace assets with 'highly predictable', and not just 'fixed', cash flows;
- streamlining the approval process for firms' internal capital models; and
- a reduction in the regulations which make up the current reporting and administrative burden.

On 8 December 2023, the Risk Margin Regulations were laid before Parliament and came into force on 31 December 2023. The Risk Margin Regulations primarily set out HMT's reforms to Solvency II risk margins. To ensure that the PRA Rulebook aligned with the Risk Margin Regulations, the PRA finalised related consequential amendments to its rulebook in PS19/23.

The Prudential Requirements Regulations were also laid before Parliament on 8 December 2023 and will come into force on 30 June 2024. The Prudential Requirements Regulations primarily make changes in relation to the Matching Adjustment. Having consulted on related changes to its rules on the Matching Adjustment in September 2023, the PRA published its policy statement and final rules on 6 June 2024.

The PRA’s work on Solvency II reform has included various consultations and the finalisation of its policy in a number areas. For example, in February 2024, the PRA published PS 2/24, which sets out its final policy for reform in most areas. In April 2024, the PRA issued consultation paper CP 5/24 which proposes the restatement into PRA policy material of those parts of the Solvency II regime which have not already been subject to consultation as part of the Solvency II review process.

While the material components of the reforms are now known, there is still a degree of uncertainty in terms of the overall impact on regulatory capital of these reforms.

All other changes contemplated by this reform process are due to come into effect on 31 December 2024.

The main aim of the framework is to protect policyholders through prudential requirements which are matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. The approach is based on the concept of three pillars: quantitative requirements (the amount of regulatory capital an insurer should hold), qualitative requirements on undertakings such as risk management as well as supervisory activities; and enhanced disclosure and transparency requirements.

Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of an MCR and a higher and more risk sensitive SCR;
- what regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;
- what regulatory capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm's entire operations;
- to what extent a firm's internal regulatory capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- reporting requirements covering (i) matters to be reported privately to the firm's supervisor leading to a full supervisory review process and (ii) matters to be published in a "Solvency and Financial Condition Report";
- rules providing for the SCR to be supplemented by a "regulatory capital add-on" in appropriate cases, the add on to be imposed by the relevant supervisor (the PRA in the case of UK firms and, so far as the EU equivalent of the UK's Solvency II regime is concerned, the CBI in the case of each of SLIDAC and PLAE);
- rules on insurance products which are linked to the value of specific property or indices; and
- the application of the above requirements across insurance groups.

As noted above, the current UK rules generally replicate the EU rules other than in certain instances, such as the need to provide for with-profit funds in the context of long-term insurance funds no longer being recognised under Solvency II. Under Solvency II, "ring fenced funds" are funds the assets of which may have a reduced capacity to fully absorb losses in other parts of the insurer on a going concern basis. The PRA rules contain a requirement that firms hold, within each of their with-profits funds, assets that are sufficient to meet the with-profits liabilities of such funds. The FCA rules use a definition of "with-profits fund surplus" in relation to Solvency II firms' with-profits business, being, in summary, the difference between the assets in the fund and the liabilities in the fund. Only the with-profits fund surplus may be distributed to policyholders and shareholders. The PRA has also stated in a supervisory statement that restrictions on assets and Own Funds resulting from the nature of, and regulatory regime for, with-profits insurance business in the UK will generally mean that each with-profits fund displays the characteristics of a ring fenced fund for the purposes of Solvency

II. In the same supervisory statement, the PRA also notes that firms sometimes have support arrangements in place which seek to provide support to a with-profits fund from financial resources outside that fund; the PRA's rules require that the terms of any such support arrangement be clarified and codified. In addition, depending on the facts or circumstances, the Board of Directors may apply capital management policies to control the distribution of capital.

Insurance companies and insurance groups require supervisory approval to use internal models to calculate their SCR (or specific risks or major business units within the SCR), as the PRA wants to ensure ongoing compliance with the Solvency II Internal model requirements. The process of obtaining that approval is a rigorous one involving a full review of the firm's governance arrangements and proof that the internal modelling is fully used within the firm's business. Once a firm's internal model has been approved, it must report internal model outputs using the PRA's templates, so that the PRA can supervise internal models on an ongoing basis. The PRA may also impose regulatory capital add-ons if it considers that the resultant regulatory capital requirement does not reflect the risk exposures of the relevant firm or insurance group. The PRA has approved an agreed methodology and model to calculate the Group SCR for the Issuer pursuant to Solvency II covering all insurance entities (excluding ReAssure entities, PLAE, SLIDAC and Sun Life Assurance Company of Canada entities).

Following completion of the ReAssure Acquisition, the ReAssure Companies have adopted the Standard Formula for the purpose of determining their capital under Solvency II. Eventually, the Group intends to extend the scope of its harmonised Internal Model to include the UK ReAssure Companies.

The technical implementation of Solvency II resulted in a significant increase in the technical provisions and regulatory capital requirements of certain of the Life Companies. However, these increases were mitigated to an extent by the introduction of transitional provisions, included in the Solvency II Directive, which are designed to ensure a smooth transition to the new regime. The PRA has approved applications by PLL and RAL to apply transitional measures on technical provisions. This allows for a transitional deduction on technical provisions based on the difference between the net technical provisions (and regulatory capital requirements in some circumstances) calculated in accordance with the Solvency II rules and that calculated in accordance with the previous regime. The transitional measures are to be phased out over a 16-year period from 1 January 2016. The PRA has made near final rules in PS2/24, which the PRA describes as substantively final, which will introduce, from 1 January 2025, a simplified approach to the calculation of the transitional measures for the remainder of the transitional period to 2032 and allow for their continuous recalculation with smooth run-off. The objective of these rules is to simplify the calculations of the transitional measures with a change in calculation only being contemplated on an insurance business transfer or a 100 per cent. reinsurance if there is a material change in risk profile. While the new method is not intended to materially alter firms' ongoing amount of transitional measures on technical provisions compared to the existing approach, it is possible that this change may affect the results of future recalculations.

Firms with illiquid liabilities such as annuity business can (with the approval of the PRA) discount these illiquid liabilities using the risk-free rate plus what is known as the Matching Adjustment. The Matching Adjustment allows firms to derive the value of its liabilities based on the value of assets whose cashflows closely match the liability cashflows, after allowance for potential future costs of defaults and downgrades on the assets. PLL and RAL have received the approval of the PRA to apply the Matching Adjustment in calculating the Best Estimate Liabilities for the majority of its annuity business. The Volatility Adjustment operates similarly to the Matching Adjustment, but is based on a notional basket of assets rather than the firm's actual assets. RAL has received the approval of the PRA to apply the Volatility Adjustment to its non-Matching Adjustment business, which reduces the reserving and capital requirements associated with the liabilities.

It should be noted that SLIDAC and PLAE are authorised and regulated by the CBI. Consequently, the EU's version of the Solvency II framework (and any relevant Irish implementing provisions) is applied by the CBI, not the UK regulators. More generally, the prudential regulation of SLIDAC and PLAE is a matter for the CBI.

As the CBI has approved SLIDAC's application for a Partial Internal Model to calculate its solo entity SCR, the solo entity SCR for SLIDAC has been calculated using the approved Partial Internal Model since 30 June 2022. At the Group level, the calculation for SLIDAC and PLAE follows the UK rules.

For further information, see also the risk factors entitled "*Risk Factors - Regulatory capital and other requirements may change*" and "*Risk Factors - The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies*".

Recovery, resolution and restructuring regimes

See the risk factor *"The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies"* regarding the replacement of Section 377 and the introduction of an IRR.

Data protection

GDPR, which came into effect on 25 May 2018, regulates the processing of personal data. The regulation contains measures that seek to harmonise data protection procedures and enforcement across the EU. It binds on data controllers in all member states directly without the need for implementation by the member states. The penalties for breach of the regulation are substantial (up to 4 per cent. of annual worldwide turnover or €20m, whichever is greater).

The UK Data Protection Act 2018 ("**DPA 2018**") which replaced the Data Protection Act 1998, supports the GDPR in the UK. Following the end of the Brexit transition period, on 31 December 2020, an amended version of the GDPR (known as the "**UK GDPR**") continues to apply in the UK in parallel with an amended version of the DPA 2018.

In Ireland, the GDPR is supported by the Data Protection Act 2018 which was signed into law on 24 May 2018, replacing its previous data protection framework established under the Data Protection Acts 1988 and 2003.

Germany adopted national legislation in response to the GDPR in a new version of the Federal Data Protection Act, which has become effective together with the GDPR on 25 May 2018. The German legislator has used the "opening clauses" of the GDPR that allow member states discretion to customise certain provisions to tighten or specify the rules over personal data of German citizens above and beyond what is required by the GDPR.

The Privacy and Electronic Communications (EC Directive) Regulations 2003 (the "**PECR**") is a UK law that implements the EU's Directive on Privacy and Electronic Communications (Directive 2002/58/EC) and sets out privacy rights relating to electronic communications. The PECR is affected by the UK GDPR's rules on consent. Therefore, it is essential for organisations to ensure compliance with both the UK GDPR and PECR when sending out electronic marketing messages, using cookies or providing electronic communications services to the public. The PECR applies to:

(i) electronic marketing, including telephone calls, SMS messages, emails and faxes;

(ii) the use of website cookies to track visitors;

(iii) the security of public electronic communications services; and

(iv) the privacy of users of electronic communications services.

In March 2023, the UK government introduced the Data Protection and Digital Information Bill (after withdrawing a previous version of the Bill). The Bill, intends to, amongst other things, amend certain provisions of the UK GDPR, the DPA 2018 and the PECR to clarify existing definitions and concepts and amend some of the data protection-related obligations and standards with a view to establishing a more pragmatic approach to data protection for organisations. Although the Bill had reached the report stage in the House of Lords,

following the announcement by the Prime Minister that a general election would be held on 4 July 2024 and the dissolution of Parliament on 30 May 2024, as the Bill was not included in the "wash-up" process which saw some essential or non-controversial legislation fast-tracked before Parliament was dissolved, the Bill has therefore lapsed. It remains unclear as to whether the next administration has any appetite to revive the Bill in its current form.

Thematic reviews

The PRA, FCA and CBI regularly carry out thematic or deep dive reviews and consultations on market activities which are relevant to the business of the Group. The regulators carry out these reviews, which are sector-wide, in respect of a theme, common issue or product type. The output and findings of each review, regardless of the Group's participation, are reviewed and assessed to ensure the Group is aligned in its regulatory approach.

The Pensions Regulator

TPR is the UK regulator of work-based pension schemes (including occupational, personal and stakeholder pension schemes). TPR discharges its function with the aim of achieving its statutory objectives. These objectives are set out in the Pensions Act 2004 (as amended) and are as follows:

(i) to protect the benefits of members of occupational pension schemes;

(ii) to protect the benefits of members of personal pension schemes (where there is a direct payment arrangement);

(iii) to promote, and to improve understanding of, the good administration of work-based pension schemes;

(iv) to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund;

(v) to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008; and

(vi) in relation to Defined Benefit scheme funding, to minimise any adverse impact on the sustainable growth of an employer.

TPR therefore has an interest in certain types of pension provided by various regulated firms within the Group.

TPR has a wide range of powers it may use to achieve its statutory objectives. These powers were enhanced under the Pensions Schemes Act 2021 to allow TPR to implement a more proactive and punitive regulatory approach. TPR's powers include information-gathering powers (which are in addition to the existing reporting obligations trustees and employers are subject to), enforcement powers and anti-avoidance powers.

In addition, TPR authorises and supervises 'Master Trust' pension schemes. Standard Life has two such pension schemes. TPR has regular supervisory meetings with the Trustees of the schemes as well as senior representatives from Standard Life to oversee the running of the Master Trust schemes. In common with the FCA and PRA, TPR expects schemes to avoid actions that jeopardise its statutory objectives.

Other regulatory systems

While most of the Group's activities are in the UK (and therefore solely within the scope of the UK regulatory system), the Group includes entities which operate outside the UK in a regulated environment. In particular, SLIDAC and PLAE are authorised and regulated by the CBI and as previously stated, the prudential and conduct regulation of SLIDAC and PLAE is a matter for the CBI and Irish law and regulation.

When policies are sold to policyholders situated in an EU state the regulation of that state may apply to the sale and administration of such policies, even though the transacting Group entity may be authorised and regulated

in another jurisdiction. Members of the Group carry on business in other EU member states under EU-wide passporting rights. Of particular note is SLIDAC, which operates the Group's German business, and therefore certain of its activities are subject to German regulation. Although those entities using passporting rights do not need to be authorised in each of the EU member states in which they carry on activities within the scope of those rights, such entities are required to comply with certain local laws and regulatory requirements, for example in respect of conduct of business rules, in relation to certain activities carried on in those countries. As a result, the law and regulation of various EU member states applies to the activities of certain members of the Group when they are dealing with customers in EU states.

Passporting and Brexit

The UK's departure from the EU on 31 January 2020 resulted in a loss of EEA passporting rights for UK authorised firms, including PLL and ReAssure, following the end of the Brexit transition period on 31 December 2020.

The Group has taken steps to ensure continuity of service for customers in each EEA member state. On 1 January 2023, the Group completed the transfer of PLL's Irish, German and Icelandic policies to a new Irish subsidiary, PLAE and the transfer of RAL's German, Norwegian and Swedish policies to PLAE.

TAXATION

The following is a general description of certain UK tax considerations relating to the Notes, as well as a description of FATCA. It is not intended as tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. It relates to the position of persons who are the absolute beneficial owners of the Notes and who hold the notes as investments, and some aspects do not apply to certain classes of taxpayer (such as Noteholders who are connected or associated with the Issuer for relevant tax purposes). The statements in this section do not constitute tax or legal advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

United Kingdom

General

The comments in this part are of a general nature and are not intended to be exhaustive. They are based on current United Kingdom ("**UK**") tax law as applied in England and Wales and published HM Revenue & Customs practice. There can be no assurance that HM Revenue & Customs will apply its published practice, and both law and practice may be subject to subject to change, sometimes with retrospective effect. The comments assume that there will be no substitutions of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). Further, they relate only to certain material UK withholding taxation matters at the date hereof in relation to payments of principal and interest (as that term is understood for UK tax purposes) in respect of the Notes. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

Payments of Interest

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**")) or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or an EEA regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

The Issuer's understanding is that the ISM is a multilateral trading facility operated by a UK regulated recognised stock exchange for the purposes of section 987 of the Act.

Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.).

Other considerations

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" (including an intermediary through which the Notes are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments until two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Joint Lead Managers have jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

United States

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 U.S. 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.

Each Joint Lead Manager has represented and agreed that, it will not offer or sell 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, within the U.S. 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 U.S. 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.

The Notes are being offered and sold outside the U.S. to non-U.S. persons in reliance on Regulation S.

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 U.S. by any dealer (whether or not participating in the offering of such tranche of Notes) 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.

UK

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Prohibition on Marketing and Sales of Notes to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of **MiFID II**; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition on Marketing and Sales of Notes to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Hong Kong

Each Joint Lead Manager has represented and agreed 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 (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; or

(ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Offering Memorandum or the merits of the Notes and any representation to the contrary is an offence.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and, without limiting the generality of the foregoing:

(a) any offer, sale or distribution of the Notes in Canada has and will be made only to purchasers that are (i) "accredited investors" (as such term is defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario)) and "permitted clients" (as such term is defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations), (ii) purchasing as principal, or are deemed to be purchasing as principal in accordance with applicable Canadian securities laws, and (iii) not a person created or used solely to purchase or hold the Notes as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;

(b) it is either (i) appropriately registered under applicable Canadian securities laws in each relevant province or territory to sell and deliver the Notes, (ii) it is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; or (iii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale or that is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has agreed to make such sale and delivery in compliance with the representations and agreements set out herein; and

(c) it has not and will not distribute or deliver this Offering Memorandum, or any other offering material in connection with any offering of the Notes, in or to a resident of Canada other than in compliance with applicable Canadian securities laws.

General

No action has been or will be taken in any country or any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it shall comply (to the best of its knowledge and belief) in all material respects with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes the Offering Memorandum or any such other material relating to the Notes, in all cases at its own expense. The Issuer and the other Joint Lead Managers will have no responsibility for, and each Joint Lead Manager has agreed to obtain

any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it 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 Joint Lead Manager has been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained or incorporated by reference in this Offering Memorandum or any amendment or supplement to it.

GENERAL INFORMATION

General

1. It is expected that admission of the Notes to trading on the ISM will be granted on or around 13 June 2024. Notes so admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Offering Memorandum.

2. The Issuer has obtained all necessary consents, approvals and authorisations in the UK, in connection with the issue and performance of the Notes. The issue of the Notes has been authorised by resolutions of the board of directors of the Issuer passed on 22 November 2023.

3. The yield to (but excluding) the First Reset Date of the Notes is 8.500 per cent. per annum, calculated on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

4. 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.

No Significant Change and No Material Adverse Change

5. Since 31 December 2023, there has been no significant change in the financial performance or financial position of the Issuer and its subsidiaries.

6. Since 31 December 2023, there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries.

Documents on Display

7. For the period of 12 months starting on the date on which this Offering Memorandum is made available to the public, copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Group at 20 Old Bailey, London EC4M 7AN:

   (a) the Agency Agreement and Trust Deed (which includes the form of the Global Certificate);

   (b) the Memorandum and Articles of Association of the Issuer;

   (c) the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts;

   (d) a copy of this Offering Memorandum; and

   (e) the SFCRs.

Auditor

8. KPMG LLP ("**KPMG**") (chartered accountants and a member of the Institute of Chartered Accountants in England and Wales (the "**ICAEW**")), were formally appointed as auditors for the Group at the Issuer's Annual General Meeting held on 14 May 2024 and will undertake the audit of the accounts of the Group for the year ending 31 December 2024.

   Prior to the appointment of KPMG, Ernst & Young LLP ("**EY**") (chartered accountants and a member of the ICAEW) were the appointed auditors of the Group. EY audited and rendered unqualified audit reports on the accounts of the Group for the years ended 31 December 2023 and 31 December 2022. EY resigned as the auditors of the Group on 14 May 2024.

Litigation

9. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 month period preceding the date of this Offering Memorandum which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer taken as a whole.

Joint Lead Managers transacting with the Issuer

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

Security Codes

11. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) is XS2828830153, the common code is 282883015, the Financial Instrument Short Name (FISN) and the Classification of Financial Instruments (CFI) will be as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. The Legal Entity Identifier (LEI) of the Issuer is 2138001P49OLAEU33T68.

    The ordinary shares of the Issuer are listed on the Official List of the FCA and trade on the London Stock Exchange under the symbol "PHNX". The ISIN for the ordinary shares of the Issuer is GB00BGXQNP29. Information about the past and future performance of the ordinary shares of the Issuer and their volatility can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

THE ISSUER

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