

**Conformed Copy**

22 April 2010

PEARL GROUP HOLDINGS (NO. 1) LIMITED  
(FORMERLY RESOLUTION PLC)  
AS ISSUER

AND

HSBC TRUSTEE (C.I.) LIMITED  
AS TRUSTEE

AND

PHOENIX GROUP HOLDINGS  
AS HOLDING COMPANY

AND

PEARL GROUP HOLDINGS (NO. 2) LIMITED  
(FORMERLY PEARL GROUP LIMITED)  
AS ULTIMATE ACSM INSTRUMENT INVESTOR

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SUPPLEMENTAL TRUST DEED

RELATING TO £500,000,000 6.5864 PER CENT.  
FIXED/FLOATING RATE PERPETUAL RESET  
CAPITAL SECURITIES

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**THIS SUPPLEMENTAL TRUST DEED** is made on 22 April 2010

**BETWEEN:**

- (1) **PEARL GROUP HOLDINGS (NO. 1) LIMITED** (formerly Resolution plc), a company incorporated under the laws of England, whose registered office is at Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU (the "**Issuer**");
- (2) **HSBC TRUSTEE (C.I.) LIMITED**, a company incorporated under the laws of Jersey, whose registered office is at 1 Grenville Street, St Helier, Jersey JE4 9PF (the "**Trustee**");
- (3) **PHOENIX GROUP HOLDINGS** (formerly Pearl Group), a company incorporated under the laws of the Cayman Islands, whose principal office is at c/o Maples Corporate Business Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands (the "**Holding Company**"); and
- (4) **PEARL GROUP HOLDINGS (NO. 2) LIMITED**, (formerly Pearl Group Limited) a company incorporated under the laws of England, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough PE2 6FY (the "**Ultimate ACSM Instrument Investor**").

**WHEREAS:**

- (A) This Supplemental Trust Deed is supplemental to the trust deed dated 17 November 2005, as amended by a supplemental trust deed dated 30 July 2008, made between the Issuer and the Trustee (the "**Trust Deed**") constituting the £500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities of the Issuer.
- (B) On 1 May 2008 Pearl Group Holdings (No.2) Limited (formerly Pearl Group Limited) acquired the Issuer through Impala Holdings Limited, a subsidiary of Pearl Group Holdings (No.2) Limited, by way of a Court sanctioned scheme of arrangement under section 425 of the Companies Act 1985.
- (C) On 25 April 2009 the Issuer deferred the Coupon Payment due on the Notes, in accordance with the Conditions.
- (D) On 2 September 2009, Liberty Acquisition Holdings (International) Company acquired Pearl Group Holdings (No.2) Limited and the Pearl group of companies (the "**Liberty Acquisition**"). Following this acquisition, Liberty Acquisition Holdings (International) Company changed its name to Pearl Group.
- (E) Following the Liberty Acquisition, the Issuer and the Holding Company determined that certain terms of the Notes should be amended.
- (F) On 15 March 2010, Pearl Group changed its name to Phoenix Group Holdings.
- (G) This Supplemental Trust Deed is entered into in order to give effect to certain amendments to the Conditions approved by an extraordinary resolution duly passed at a meeting of Noteholders on 22 April 2010.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

1.1 Terms defined or incorporated in the Trust Deed have the same meanings in this Supplemental Trust Deed except where otherwise defined in this Supplemental Trust Deed, and in addition "**Effective Date**" means the date of this Supplemental Trust Deed.

**2. AMENDMENTS TO TRUST DEED**

2.1 With effect on and from the Effective Date the Trust Deed shall be amended so that it reads as if it were restated in the form set out in Schedule 1 (*Amended and Restated Trust Deed*).

2.2 Subject to the terms of this Supplemental Trust Deed, the Trust Deed will remain in full force and effect and the Trust Deed and this Supplemental Trust Deed will be read and construed as one document.

**3. ACCESSION AND RETIREMENT**

3.1 The Holding Company hereby:

3.1.1 confirms and agrees that, as from the Effective Date, it shall be a party to the Trust Deed as the Holding Company; and

3.1.2 undertakes to perform, comply with and be bound by all of the provisions of the Trust Deed (in the form set out in Schedule 1 hereto) as if it had been an original party thereto.

3.2 The Ultimate ACSM Instrument Investor confirms that, as from the Effective Date, it does not intend to, and will not, be a party to the Trust Deed and all parties to this Supplemental Trust Deed hereby consent to the Ultimate ACSM Instrument Investor ceasing to be a party to the Trust Deed as from the Effective Date.

**4. FURTHER ASSURANCE**

The Issuer, the Holding Company and the Ultimate ACSM Instrument Investor shall perform, execute and deliver such further acts and documents as may be required by law or reasonably requested by each other or the Trustee to implement the purpose of and to perfect this Supplemental Trust Deed.

**5. VARIATION OF THIS SUPPLEMENTAL TRUST DEED**

No modification or waiver to any provisions of this Supplemental Trust Deed shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept) (so long as there is a requirement to give such notice).

**6. DEED AND COUNTERPARTS**

- 6.1 This Supplemental Trust Deed may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.
- 6.2 Each of the parties to this document intends it to be a deed and agrees to execute and deliver it as a deed.
- 6.3 A conformed copy of this Supplemental Trust Deed shall be prepared and delivered by the Issuer to a depositary common to Euroclear or Clearstream, Luxembourg to be held together with the Permanent Global Note representing the Notes.

**7. GOVERNING LAW**

This Supplemental Trust Deed and any non-contractual obligations arising out of or in connection with it are governed by and construed in accordance with English law.

**IN WITNESS WHEREOF** this Supplemental Trust Deed has been executed as a deed on the date stated at the beginning of this Supplemental Trust Deed.

**EXECUTED AS A DEED** by )  
**PEARL GROUP HOLDINGS (NO. 1) LIMITED** )  
acting by )

SIMON SMITH

JONATHAN MOSS

Authorised Signatory

In the presence of:

MARION CARPANEN

MARION CARPANEN

Signature of witness

Name of witness (in BLOCK CAPITALS)

Address of witness: 80 SCARBROOK ROAD 80 SCARBROOK ROAD  
CROYDON CROYDON  
CR0 1SZ CR0 1SZ

**EXECUTED AS A DEED** by )  
**HSBC TRUSTEE (C.I.) LIMITED** )  
as Trustee )

URSULA ELLIOT

Authorised Signatory

)  
)  
)

ANGELA PERRETT

Authorised Signatory

**EXECUTED AS A DEED** by  
**PHOENIX GROUP HOLDINGS**  
acting by

)  
)  
)

SIMON SMITH

JONATHAN MOSS

Authorised Signatory

In the presence of:

MARION CARPANEN

MARION CARPANEN

Signature of witness

Name of witness (in BLOCK CAPITALS)

Address of witness:	80 SCARBROOK ROAD	80 SCARBROOK ROAD
	CROYDON	CROYDON
	CR0 1SZ	CR0 1SZ

**EXECUTED AS A DEED** by  
**PEARL GROUP HOLDINGS (NO. 2) LIMITED**  
acting by

)  
)  
)

SIMON SMITH

JONATHAN MOSS

Authorised Signatory

In the presence of:

MARION CARPANEN

MARION CARPANEN

Signature of witness

Name of witness (in BLOCK CAPITALS)

Address of witness:	80 SCARBROOK ROAD	80 SCARBROOK ROAD
	CROYDON	CROYDON
	CR0 1SZ	CR0 1SZ

**SCHEDULE 1  
AMENDED AND RESTATED TRUST DEED**

22 April 2010

PEARL GROUP HOLDINGS (NO. 1) LIMITED  
(FORMERLY RESOLUTION PLC)  
AS ISSUER

AND

HSBC TRUSTEE (C.I.) LIMITED  
AS TRUSTEE

AND

PHOENIX GROUP HOLDINGS  
(FORMERLY LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY)  
AS HOLDING COMPANY

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TRUST DEED

CONSTITUTING £500,000,000 6.5864 PER CENT.  
FIXED/FLOATING RATE PERPETUAL RESET  
CAPITAL SECURITIES

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**THIS TRUST DEED** made on 17 November 2005, amended and restated on 30 July 2008 and further amended and restated on 22 April 2010 is made

**BETWEEN:**

- (1) **PEARL GROUP HOLDINGS (NO. 1) LIMITED** (formerly Resolution plc), a company incorporated under the laws of England, whose registered office is at Juxon House, 100 St Paul's Churchyard, London EC4M 8BU (the "**Issuer**") of the first part;
- (2) **HSBC TRUSTEE (C.I.) LIMITED**, a company incorporated under the laws of Jersey, whose registered office is at 1 Grenville Street, St Helier, Jersey JE4 9PF (the "**Trustee**", which expression, where the context so admits, includes any other trustee for the time being of this Trust Deed) as trustee for the Noteholders and Couponholders (each as defined below) of the second part; and
- (3) **PHOENIX GROUP HOLDINGS** (formerly Liberty Acquisition Holdings (International) Company and Pearl Group), a company incorporated under the laws of the Cayman Islands, whose principal office is at c/o Maples Corporate Business Services Limited, P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands (the "**Holding Company**") of the third part.

**WHEREAS:**

- (A) Pursuant to resolutions of the Board of Directors of the Issuer passed on 18 October 2005 and resolutions of a duly authorised committee of the Board of Directors of the Issuer passed on 8 November 2005 the Issuer has resolved to issue £500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities (the "**Notes**") to be constituted in the manner hereinafter appearing.
- (B) This Trust Deed is amended and restated in order to give effect to certain amendments to the Trust Deed and the Conditions approved by an extraordinary resolution duly passed at a meeting of Noteholders on 22 April 2010.
- (C) The Trustee has agreed to act as trustee of this Trust Deed for the benefit of the Noteholders and Couponholders on the following terms and conditions.

**NOW THIS TRUST DEED WITNESSES** and it is hereby agreed and declared as follows:

**1. INTERPRETATION**

**1.1 Definitions**

Except as provided herein, all words and expressions defined or attributed a particular meaning in the Conditions shall have the same meaning in this Trust Deed. The following expressions have the following meanings:

**"2010 Deferred Coupon Notice"** means the notification of an election to defer the Coupon Payment scheduled to be paid on the Coupon Payment Date falling in 2010 given by the Issuer pursuant to Condition 4(a) on 23 March 2010;

**"ACSM Proceeds"** has the meaning given to it in the Calculation Agency Agreement;

"**ACSM Shortfall**" has the meaning set out in Condition 6(b)(iv);

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

"**Agents**" means the Principal Paying Agent, each Paying Agent, the Agent Bank and the Calculation Agent or any of them as the context requires;

"**Alternative Securities**" means the Payment Ordinary Shares or any other shares or securities issued by the Holding Company which qualify as Tier 1 Capital at the relevant time;

"**Associated Costs**" has the meaning given to it in the Calculation Agency Agreement;

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

"**Authorised Signatory**" means, in relation to any body corporate, a person who is duly empowered to bind such body corporate in relation to the relevant document(s) and, if necessary under the law of the country of incorporation of such body corporate to ensure that such person is duly authorised, whose authority is evidenced by a resolution of the directors of such body corporate or a resolution of a duly authorised committee of the board of directors of such body corporate;

"**Calculation Agent**" means the bank referred to as such in the Conditions or any Successor Calculation Agent;

"**Calculation Agency Agreement**" means the agreement referred to as such in the preamble to the Conditions, as altered from time to time, and includes any other agreements approved in writing by the Trustee appointing a Successor Calculation Agent or altering any such agreements;

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme;

"**commencement of the winding up**" means in the case of a voluntary winding up the time of the passing of the winding up resolution (as determined in accordance with Sections 86 and 129(1) of the Insolvency Act 1986) and in the case of a compulsory winding up the time of the making of the winding-up order or presentation of the petition for winding-up (as determined in accordance with Sections 129(1A) and 129(2) of the Insolvency Act 1986) or, where preceded by a voluntary winding up, the time of passing of the winding up resolution;

"**Conditions**" means the terms and conditions of the Notes, such terms and conditions being in the form set out in Schedule 1 as from time to time modified in accordance with the provisions of this Trust Deed and, with respect to any Notes represented by the Temporary Global Note or the Permanent Global Note, as modified by the provisions of such Temporary Global Note or such Permanent Global Note. Any reference to a particularly numbered Condition shall be construed accordingly;

"**Coupon**" means an interest coupon appertaining to a definitive Note substantially in the form set out in Schedule 1 and for the time being outstanding or, as the context

may require, a specific number thereof and includes, where the context so permits, the Talon appertaining to the definitive Note to which the relevant Coupon appertains and any replacement Coupon issued pursuant to Condition 13;

**"Couponholders"** means the several persons who are for the time being holders of Coupons;

**"Duties"** has the meaning given to it in the Calculation Agency Agreement;

**"Effective Date"** means the date of this Supplemental Trust Deed;

**"Euroclear"** means Euroclear Bank S.A./N.V.;

**"Extraordinary Resolution"** has the meaning set out in Schedule 3;

**"FSA"** means the Financial Services Authority;

**"Further Notes"** means any Notes of the Issuer constituted by a deed supplemental to this Trust Deed pursuant to Clause 18 and for the time being outstanding or, as the context may require, a specific number thereof and includes any replacements for further Notes issued pursuant to Condition 16 and, where applicable, any Notes in global form issued in respect thereof;

**"Intra-Group Loan Agreement"** means the intra-group loan agreement dated 7 January 2009 between the Issuer and Impala Holdings Limited;

**"Noteholders"** means the several persons who are for the time being bearers of outstanding Notes;

**"Notes"** means bearer perpetual reset capital securities substantially in the form set out in Schedule 1 comprising the £500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities constituted by this Trust Deed and for the time being outstanding or, as the context may require, a specific number or principal amount of them and includes any replacement Notes issued pursuant to the Conditions, any further Notes issued pursuant to Clause 18 and Condition 16 if such further Notes are constituted by a deed supplemental to this Trust Deed and (except for the purposes of Clause 3.1) the Temporary Global Note and the Permanent Global Note;

**"Official List"** has the meaning set out in Section 103 of the Financial Services and Markets Act 2000;

**"outstanding"** means, in relation to the Notes, all the Notes issued except (a) those which have been redeemed and cancelled in accordance with the Conditions; (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under the Conditions after such date) have been duly paid to the Trustee or to the Principal Paying Agent as provided in Clause 2 and remain available for payment against presentation and surrender of Notes and/or Coupons, as the case may be; (c) those which have become void; (d) those which have been purchased and cancelled as provided in the Conditions; (e) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes; (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for

any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued; and (g) the Temporary Global Note to the extent that it shall have been exchanged for the Permanent Global Note pursuant to its provisions and the Permanent Global Note if it shall have been exchanged for definitive Notes pursuant to its provisions; **provided that** for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Noteholders, (2) the determination of how many Notes are outstanding for the purposes of the Conditions and Schedule 3 and (3) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders, those Notes which are beneficially held by or on behalf of the Issuer or any of its Subsidiaries or any holding company of the Issuer and not cancelled shall (unless no longer so held) be deemed not to remain outstanding; and **further provided that** for voting purposes the pool factor shall not be taken into account and quorum and voting entitlements shall be calculated by reference to the principal amount outstanding on the Notes without application of the pool factor;

**"Paying Agency Agreement"** means the agreement referred to as such in the preamble to the Conditions, as altered from time to time, and includes any other agreements approved in writing by the Trustee appointing Successor Paying Agents or a Successor Agent Bank or altering any such agreements;

**"Paying Agents"** means the banks (including the Principal Paying Agent) referred to as such in the Conditions or any Successor Paying Agents in each case at their respective specified offices;

**"Payment Ordinary Shares"** has the meaning given to it in Condition 6(b)(ii);

**"Permanent Global Note"** means the permanent global Note which will represent the Notes, or some of them, after exchange of the Temporary Global Note, or a portion of it, substantially in the form set out in Part 2 of Schedule 2;

**"pool factor"** means the pool factor referred to in Condition 1(c);

**"Principal Paying Agent"** means the bank referred to as such in the Conditions or any Successor Principal Paying Agent;

**"specified office"** means, in relation to a Paying Agent, the office identified with its name at the end of the Conditions or any other office approved by the Trustee and notified to Noteholders pursuant to sub-clause 7.1.12;

**"Successor"** means, in relation to the Paying Agents, the Agent Bank or the Calculation Agent (as the case may be), such other or further person as may from time to time be appointed by the Issuer as a Paying Agent, the Agent Bank or the Calculation Agent, as the case may be (with the prior approval of, and on terms previously approved by, the Trustee in writing (such approval not to be unreasonably withheld)) and notice of whose appointment is given to Noteholders pursuant to sub-clause 7.1.12;

**"successor in business of the Issuer"** means:

- (i) a company or other entity to whom the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, transfers the whole or a substantial part of its business, undertaking or assets for the purpose of assuming and conducting the business of the Issuer in its place; or
- (ii) any other entity which acquires in any other manner all or substantially all the undertaking, property and/or assets of the Issuer or carries on as a successor to the Issuer the whole or substantially the whole of the business carried on by the Issuer prior thereto,

where in each of the cases in paragraphs (i) and (ii) above the terms of the proposed transaction have previously been approved by the Trustee or by an Extraordinary Resolution of the Noteholders;

**"Talonholders"** means the several persons who are for the time being holders of Talons;

**"Talons"** means the talons appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, a definitive Note, such talons being in the form or substantially in the form set out in Schedule 1 and includes any replacement talons issued pursuant to Condition 13;

**"Temporary Global Note"** means the temporary global Note which will represent the Notes on issue substantially in the form set out in Part 1 of Schedule 2;

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

**"the London Stock Exchange"** means the London Stock Exchange plc or any successor thereto;

**"this Trust Deed"** means this trust deed (as from time to time altered in accordance with this Trust Deed) and any other document executed in accordance with this trust deed (as from time to time so altered) and expressed to be supplemental to this trust deed;

**"trust corporation"** means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees; and

**"UK Listing Authority"** means the FSA in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000.

## 1.2 **Construction of Certain References:**

- 1.2.1 Words denoting the singular number only shall include the plural number also and vice versa; words denoting one gender only shall include the other gender; and words denoting persons only shall include firms and corporations and vice versa.

- 1.2.2 Any reference in this Trust Deed to costs, charges, expenses, liabilities or remuneration shall, unless otherwise provided or the context otherwise requires, include any value added tax or similar tax charged or chargeable in respect thereof.
- 1.2.3 Unless the context otherwise requires or unless otherwise defined herein, words or expressions contained in this Trust Deed shall bear the same meanings as in the Companies Act 2006 of Great Britain.
- 1.2.4 Any reference in this Trust Deed to any statute or any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.
- 1.2.5 All references in this Trust Deed to any action, remedy or method of judicial proceeding for the enforcement of rights of creditors shall, unless the context otherwise requires, be deemed to include, in respect of any jurisdiction other than England, references to such action, remedy or method of judicial proceeding for the enforcement of rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of judicial proceeding described or referred to in this Trust Deed.
- 1.2.6 All references in this Trust Deed to Schedules, Clauses, paragraphs or sub-paragraphs shall, unless the context otherwise requires, be construed as references to respectively the schedules to, and the clauses, paragraphs and sub-paragraphs of, this Trust Deed. All references to this "**Trust Deed**" shall be construed to include all Schedules hereto.
- 1.2.7 All references in this Trust Deed to "**pounds sterling**" or the symbol "**£**" shall be construed as references to pounds sterling, the lawful currency for the time being of the United Kingdom.
- 1.2.8 All references in this Trust Deed to Notes being listed or having a listing shall, in relation to the London Stock Exchange, be construed to mean that such Notes have been admitted to the Official List by the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market and all references in this Trust Deed to "**listing**" and "**listed**" shall include references to "**quotation**" and "**quoted**" respectively.
- 1.2.9 Any reference to "**interest**" shall, where appropriate, include Coupon Amounts, Coupon Payments, Deferred Coupon Payments and Accrued Coupon Payments.
- 1.2.10 Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternate clearing system approved by the Trustee.
- 1.2.11 All references in this Trust Deed to principal and/or principal amount outstanding and/or premium (if any) and/or interest and/or Payments in respect of the Notes or to any moneys payable by the Issuer under this Trust Deed or under the Notes and/or the Coupons shall be deemed to include a reference to

any Additional Amounts which may be payable under Condition 10 or, if applicable, under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to sub-clause 7.1.14 and shall be subject to the pool factor referred to in Condition 1(c).

### 1.3 **Headings**

Headings shall be ignored in construing this Trust Deed.

### 1.4 **Schedules**

The Schedules are part of this Trust Deed and have effect accordingly.

## 2. **AMOUNT OF THE NOTES AND COVENANT TO PAY**

### 2.1 **Amount of the Notes**

Subject to the application of the pool factor referred to in Condition 1(c), the total principal amount of the Notes constituted hereunder is limited to £500,000,000 (without prejudice to the validity of any replacement Notes issued pursuant to Condition 13).

### 2.2 **Covenant to pay**

The Issuer hereby covenants with the Trustee that it will (subject to and in accordance with Condition 1(c) and, where applicable, Clauses 2.3 and 5 and Condition 2(b)(i)) unconditionally pay or procure to be paid to or to the order of the Trustee in pounds sterling in London in same day or immediately available funds the principal amount in respect of the Notes becoming due for redemption on that date (together with any applicable premium) and shall (subject to the provisions of the Conditions, Clauses 2.3 and 2.5 and, where applicable, Clause 5) in the meantime and until redemption in full of the Notes (both before and after any judgment or other order of any court of competent jurisdiction) unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid interest on the principal amount of the Notes outstanding at rates provided for in, or, if applicable, determined from time to time in accordance with, the Conditions on the date(s) in each year as provided in the Conditions **provided that**:

2.2.1 every payment of principal, premium (if any) or a Payment due in respect of the Notes made to or to the order of the Principal Paying Agent in the manner provided in the Paying Agency Agreement shall operate in satisfaction *pro tanto* of the relevant covenant by the Issuer contained in this Clause in relation to the Notes except to the extent that there is a default in the subsequent payment thereof in accordance with the Conditions to the relevant Noteholders or Couponholders (as the case may be) and every payment of principal, premium (if any) or a Payment due in respect of the Notes made to or to the order of the Trustee in accordance with this Clause shall operate in satisfaction *pro tanto* of the relevant covenant by the Issuer contained in the Notes;

2.2.2 in the case of any payment of principal made to the Trustee or the Principal Paying Agent after the due date, interest shall continue to accrue on the principal amount outstanding of the relevant Notes (both before and after any



judgment or other order of any court of competent jurisdiction) at the rates aforesaid up to and including the date (being not later than 14 days after the day on which the whole of such principal amount, together with an amount equal to the interest which has accrued and is to accrue pursuant to this proviso up to and including that date, has been received by the Trustee or the Principal Paying Agent) which the Trustee determines to be the date on and after which payment is to be made to the holders of such Notes in respect thereof as stated in a notice given to the holders of such Notes in accordance with Condition 15;

2.2.3 in any case where payment of the whole or any part of the principal amount of any Note is improperly withheld or refused upon due presentation thereof (other than in circumstances contemplated by sub-clause 2.2.2 above) interest shall accrue on the principal amount outstanding of such Note, payment of which has been so withheld or refused (both before and after any judgment or other order of any court of competent jurisdiction), at the rates aforesaid from (and including) the date of such withholding or refusal until (but excluding) the date on which notice is given in accordance with the Conditions that the full amount in pounds sterling payable in respect of such Note is available for payment. The Trustee will hold the benefit of this covenant on trust for the Noteholders and the Couponholders; and

2.2.4 in the event of the winding up of the Issuer, the Issuer shall be obliged to pay to or to the order of the Trustee only such amounts (if any) in respect of the principal of and Payments on the Notes as are specified in, and in accordance with, Clause 5.2.

### 2.3 **Subordination**

Notwithstanding the covenant of the Issuer given in Clause 2.2, in the event of the winding-up of the Issuer the claims of the Trustee on behalf of the Noteholders (but save in respect of any amounts payable to the Trustee for its own account or as otherwise hereinafter provided), the Noteholders and the Couponholders will be subordinated on the terms of Clause 5 and no payment shall be made in respect thereof under this Trust Deed, the Notes and/or the Coupons unless the claims ranking senior thereto as described in Clause 5 have been satisfied in full prior to such payment.

### 2.4 **Agents of Trustee**

At any time (a) after any of the events described in Condition 3 or 9(a) has occurred, the Trustee may by notice in writing to the Issuer and the Agents, require the Principal Paying Agent and the other Agents, until notified by the Trustee to the contrary and so far as permitted by applicable law, to or (b) where any proceeds of the sale of Payment Ordinary Shares or Alternative Securities are to be received or delivery of such proceeds made in accordance with Condition 6(b) and Clauses 2.5 and 2.6 ((**provided that** such agency pursuant to this Clause 2.4(b) shall continue only until such time as the Trustee delivers the aggregate of the ACSM Proceeds and the Associated Costs (or such amounts are delivered on behalf of the Trustee) but after deducting any fees, costs or expenses of or incurred by the Trustee in connection with

holding such proceeds) in accordance with Condition 6) the Principal Paying Agent and the other Agents shall (without any requirement for notice):

- 2.4.1 act as agents of the Trustee under this Trust Deed and the Notes on the terms of the Paying Agency Agreement and, if applicable, the Calculation Agency Agreement (with consequential amendments as necessary and except that the Trustee's liability for the indemnification, remuneration and expenses of the Agents will be limited to the amounts for the time being held by the Trustee in respect of the Notes on the terms of the Trust Deed) and thereafter hold all Notes and Coupons and all moneys, documents, and records held by them (if any) in respect of Notes and Coupons to the order of the Trustee; or
- 2.4.2 (other than in the case of (b) above) deliver all Notes and Coupons and all moneys, documents, and records held by them (if any) in respect of the Notes and Coupons to the Trustee or as the Trustee directs **provided that** such direction shall be deemed not to apply to any documents or records which any relevant Agent is obliged not to release by any applicable law or regulation, and

(other than in the case of (b) above) the Trustee may by notice in writing to the Issuer require it to make all subsequent payments in respect of the Notes and Coupons to or to the order of the Trustee and not to the Principal Paying Agent.

## 2.5 **Alternative Coupon Satisfaction Mechanism and Holding Company Undertaking**

- 2.5.1 Where the Issuer is to satisfy any ACSM Payment and Associated Costs under the Conditions on a particular date (the "**Due Date**") in accordance with Condition 6, it shall so notify, *inter alios*, the Trustee in accordance with the Conditions and will comply with its obligations set out in clause 3.6 of the Calculation Agency Agreement.
- 2.5.2 Unless Condition 6(b)(v) is applicable, Phoenix Group Holdings, in its capacity as Holding Company, hereby undertakes, in relation to any operation of the ACSM, to take such steps as are reasonably necessary to issue to the Trustee or to its order, so far as practicable, such Payment Ordinary Shares as the Calculation Agent determines are necessary to raise such funds which at least equal the aggregate amount of the ACSM Payment and the Associated Costs in consideration for the Payment Issuer Shares issued pursuant to Condition 6(b)(ii).
- 2.5.3 If Condition 6(b)(v) is applicable, Phoenix Group Holdings, in its capacity as Holding Company, hereby undertakes, in relation to any operation of the ACSM, to take such steps as are reasonably necessary to issue to the Trustee or to its order, so far as practicable, such Alternative Securities which are capable of being transferred by the Trustee to the Calculation Agent to be sold by the Calculation Agent to identified purchasers identified by the Issuer in writing to the Calculation Agent at a total consideration equal the aggregate amount of the ACSM Payment and the Associated Costs in accordance with Condition 6(b)(v).

## 2.6 **ACSM Shortfall**

- 2.6.1 If the Calculation Agent notifies the Issuer, the Holding Company and the Trustee that it has formed the opinion that the proceeds of the sale of the Payment Ordinary Shares will not, subject to Condition 6(d) and 6(e) but despite the arrangements contained in Condition 6(b)(i), result in a sum at least equal to the aggregate of the relevant ACSM Payment and the Associated Costs being available to make the necessary ACSM Payment, together with the Associated Costs, in full on its due date (the amount by which such proceeds are less than the aggregate amount of the ACSM Payment and the Associated Costs being an "**ACSM Shortfall**"), the Issuer, the Holding Company, the Trustee and the Calculation Agent have agreed to take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Payment Issuer Shares and/or additional Payment Ordinary Shares and following, *mutatis mutandis*, the procedures contained in paragraphs (i), (ii) and (iii) of Condition 6(b), a sum as near as practicable to, and at least equal to, the aggregate of the relevant ACSM Payment and Associated Costs will be available to make the relevant ACSM Payment, together with the Associated Costs, in full on the Due Date.
- 2.6.2 Upon the occurrence of a Market Disruption Event, in accordance with Condition 6(e), the relevant ACSM Payment Date shall be such payment date as is notified by the Issuer to the Trustee, the Principal Paying Agent and the Calculation Agent after the Market Disruption Event ceases to exist.
- 2.6.3 Where the ACSM Proceeds equal or exceed the sum of the ACSM Payment and the Associated Costs and the Trustee has received notice from the Calculation Agent confirming the same, then:
- (a) the Trustee shall instruct the Calculation Agent to pay to the Issuer or the Holding Company, as the case may be:
    - (i) the amount in respect of the Associated Costs (as defined below);
    - (ii) any excess; and
    - (iii) any interest accrued on the ACSM Proceeds while held by the Calculation Agent;
  - (b) the Trustee shall instruct Calculation Agent to make payment of the relevant ACSM Payment to the Principal Paying Agent in accordance with Condition 6(b)(iii) for application in accordance with Condition 6(c).

## 2.7 **Payments**

Any payment to be made in respect of the Notes or the Coupons by the Issuer or the Trustee may be made as provided in the Conditions and any payment so made will to that extent be a good discharge to the Issuer or the Trustee, as the case may be.

## 2.8 **Calculation of Floating Coupon Rates**

If the Notes become immediately due and payable under the Conditions after any Reset Date, the Floating Coupon Rates payable in respect of them will continue to be calculated by the Agent Bank in accordance with the Conditions (with consequential amendments as necessary) except that the Floating Coupon Rates need not be published unless the Trustee otherwise requires. The first Coupon Period in respect of which the Floating Coupon Rate shall be so calculable will commence on the expiry of the Coupon Period during which the Notes become so repayable.

## 3. **FORM OF THE NOTES**

### 3.1 **Temporary Global Note and Permanent Global Note**

The Notes will initially be represented by a Temporary Global Note in the principal amount of £500,000,000. The Temporary Global Note shall be exchangeable for the Permanent Global Note in accordance with the provisions set out therein. The Permanent Global Note shall, in the circumstances therein set out, be exchangeable for definitive Notes together with Coupons and a Talon attached (each in the form set out in Schedule 1), all as set out in such Permanent Global Note, as annotated to take into account Condition 1(c).

### 3.2 **Form of Notes**

The definitive Notes, the Coupons and the Talons shall, if issued, be:

- 3.2.1 to bearer in the respective form or substantially in the respective form set out in Schedule 1 subject to the pool factor referred to in Condition 1(c);
- 3.2.2 issued in the denomination of £50,000 and integral multiples of £1,000 thereafter up to and including £99,000;
- 3.2.3 serially numbered;
- 3.2.4 security printed in accordance with applicable legal requirements and the requirements (if any) from time to time of the London Stock Exchange or such other stock exchange on which the Notes are listed or quoted from time to time; and
- 3.2.5 endorsed with or have attached thereto the relevant Conditions.

Title to the Notes, the Coupons and the Talons shall pass by delivery.

### 3.3 **Signature**

The Notes shall be signed manually or in facsimile by any Authorised Signatory of the Issuer and, in the case of the Global Notes and the definitive Notes (if any), authenticated by an Authorised Signatory by or on behalf of the Principal Paying Agent. The Issuer may use the facsimile signature of any person who at the date such signature is affixed is an Authorised Signatory of the Issuer even if at the time of issue of the Notes he may have ceased for any reason to be an Authorised Signatory. The Coupons and Talons shall not be signed. The Notes so executed and authenticated

and the Coupons and Talons, upon execution and authentication of the relevant definitive Notes, shall be binding and valid obligations of the Issuer. No Note, nor any of the Coupons or Talons appertaining to such Note, shall be binding or valid until such Note shall have been authenticated as aforesaid.

#### **3.4 Persons to be treated as holders**

Subject to Clause 3.5 and except as ordered by a court of competent jurisdiction or as required by law, the Trustee, the Agents and the Issuer (notwithstanding any notice to the contrary and whether or not it is overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) may deem and treat the holder of any Note, Coupon or Talon, as the case may be, as the absolute owner thereof and of all rights thereunder free from all encumbrances, and shall not be required to obtain proof of such ownership or as to the identity of the holder of any Note, Coupon or Talon. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for moneys payable upon such Note, Coupon or Talon.

#### **3.5 Accountholder as Note Holder**

For so long as the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee, the Paying Agents and the bearer of the Temporary Global Note and/or the Permanent Global Note (as the case may be) as a holder of such principal amount of Notes for all purposes other than with respect to the payment of principal, premium (if any) and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Temporary Global Note or, as the case may be, the Permanent Global Note in accordance with and subject to its terms and the terms of this Trust Deed.

### **4. COVENANT TO OBSERVE TERMS AND STAMP DUTIES**

#### **4.1 Covenant to perform and observe provisions of this Trust Deed**

Each of the Issuer and the Holding Company hereby covenants with the Trustee that it will comply with and perform and observe all the terms of this Trust Deed which are expressed to be binding on it. The Conditions shall be binding on the Issuer, the Holding Company, the Trustee, the Noteholders, the Couponholders and the Talonholders to the extent applicable and all persons claiming through or under any of the same. The Trustee shall itself be entitled to enforce against the Issuer and/or the Holding Company the terms of this Trust Deed, the Notes, the Coupons and the Talons as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Notes, the Coupons and the Talons. The provisions contained in the Schedules shall have effect in the same manner as if herein set out.

## 4.2 Stamp duties

The Issuer will pay any stamp and other duties and taxes payable (i) in the United Kingdom, Belgium or Luxembourg on or in connection with the execution of this Trust Deed and the constitution and original issue and delivery of the Notes and, if applicable, the Coupons and Talons; and (ii) in any jurisdiction on or in connection with any action taken by the Trustee or (where permitted under this Trust Deed so to do) any Noteholder or Couponholder to enforce the provisions of the Notes, the Coupons or, if applicable, this Trust Deed.

## 5. SUBORDINATION

### 5.1 Subordination and solvency certifications

The rights and claims of the Noteholders and Couponholders are subordinated to the claims of all Senior Creditors in that payments in respect of, or arising from, the Notes (including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6) are conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of issue of Issuer Shares and/or Ordinary Shares) and in that no principal, premium, interest or any other amount shall be due and payable in respect of the Notes (including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6), except to the extent that the Issuer could make such payment and still be solvent immediately thereafter, in each case except in the winding-up of the Issuer. For the purposes of this Clause 5.1, the Issuer shall be considered to be solvent if (a) it is able to pay its debts owed to its Senior Creditors as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors).

The Issuer shall procure that:

- (i) not more than 14 days and not less than one day prior to each date on which any payment of principal, premium (if any) or any other payment in respect of the Notes is proposed to be made by the Issuer;
- (ii) not more than 14 days and not less than one day prior to the date on which any substitution or variation of the Notes is proposed to be effected by the Issuer pursuant to Condition 7(c), 7(d) or 7(e);
- (iii) not more than 14 days and not less than one day prior to each date on which any Note is to be purchased beneficially by or for the account of the Issuer or any of its Subsidiaries under Condition 7(f); and
- (iv) whenever reasonably requested by the Trustee, within 14 days of such request,

two Directors of the Issuer or (if the Issuer is in winding-up) two authorised signatories of the liquidator of the Issuer shall certify in writing to the Trustee as to:

- (x) in the case of (i), (ii) and (iii) above, (aa) save where the Issuer is in winding-up, whether and to what extent the Issuer would be able to make such payment, substitution, variation or purchase and be solvent immediately thereafter for the purposes of the preceding provisions of this Clause 5.1 or

- (bb) where the Issuer is in winding-up, whether the Issuer is able to pay, or has paid, the claims of Senior Creditors in full; and
- (y) in the case of (iv) above, whether or not the Issuer is or would after making a specified payment be solvent for the purposes of the preceding provisions of this Clause 5.1.

In the absence of manifest error any certification referred to above in this Clause 5.1 shall be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence of such solvency or, as applicable, that the Issuer is able to pay, or has paid, the claims of Senior Creditors in full.

## 5.2 **Payments on winding-up of the Issuer**

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (a) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (b) do not provide that the Notes shall thereby become payable), there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, on the day prior to the commencement of the winding-up and thereafter, 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 to, and so ranking *pari passu* with, the holders of the most senior class or classes of preference shares with non-cumulative dividends in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued non-cumulative shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Upper Tier 2 Securities in a winding-up of the Issuer is determined 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, were an amount equal to the principal amount of the relevant Note and any other Payments which are Outstanding thereon together with, to the extent not otherwise included within the foregoing, the *pro rata* share of any Solvency Claims attributable to the Note.

## 5.3 **Set-off**

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons and each Noteholder and Couponholder shall, by virtue of his holding of any Note or Coupon, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer under or in connection with the Notes is discharged by set-off, such Noteholder shall, subject to applicable law, immediately pay an amount

equal to the amount of such discharge to the Issuer or, in the event of its winding-up, the liquidator of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

#### **5.4 References to include principal, premium and interest**

The foregoing provisions of this Clause 5 apply (subject to Clause 5.6) only to the principal, premium and interest in respect of the Notes and nothing in this Clause shall affect or prejudice the payment of the costs, charges, expenses or liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof and in such capacity the Trustee shall rank as a Senior Creditor of the Issuer.

#### **5.5 Subordination not to affect other rights**

Nothing contained in this Trust Deed shall in any way restrict the right of the Issuer to issue notes, bonds or other securities, or to give any guarantee of any nature, ranking in priority to or *pari passu* with or junior to the Notes and, if in the opinion of the Trustee any modification to the provisions of this Clause 5 to permit such ranking is necessary or expedient, the Trustee is hereby authorised without the consent of any Noteholder or Couponholder but subject as provided in Clause 13.1 to concur with the Issuer in executing a supplemental trust deed effecting such modification.

#### **5.6 Non-Payment when due**

5.6.1 If default shall be made in the payment of any principal and/or premium due on the Notes for a period of seven days or more, or in the case of any Coupon Amount, Deferred Coupon Payment, Accrued Coupon Payment or any payment under Clause 2.6 in respect of an ACSM Shortfall for a period of 14 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee may, notwithstanding the provisions of sub-clause 5.6.2, institute proceedings for the winding-up of the Issuer and/or prove in any such winding-up.

5.6.2 Without prejudice to sub-clause 5.6.1 and subject as provided in Condition 18, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under this Trust Deed, the Notes or the Coupons (other than for the payment of any principal or premium or satisfaction of any Payments in respect of the Notes or the Coupons, including any payment under Clause 2.6 in respect of an ACSM Shortfall and any other amounts arising from the Notes) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.



- 5.6.3 The Trustee shall not be bound to take any of the actions referred to in sub-clauses 5.6.1 or 5.6.2 against the Issuer to enforce the terms of the Notes, the Coupons or this Trust Deed or any other action under or pursuant to the Conditions or this Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- 5.6.4 No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.
- 5.6.5 No remedy against the Issuer, other than as referred to in this Clause 5.6, shall be available to the Trustee or any Noteholder or Couponholder whether for the recovery of amounts owing in respect of the Notes, Coupons or under this Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, Coupons or under this Trust Deed.

## 6. APPLICATION OF MONEYS RECEIVED BY THE TRUSTEE

### 6.1 Declaration of Trust

All moneys received by the Trustee in respect of the Notes or the Coupons or amounts payable under this Trust Deed will, despite any appropriation of all or part of them by the Issuer, be held by the Trustee on trust for the Noteholders to apply them (subject to Clause 6.4):

- 6.1.1 *first*, in payment of all costs, charges, expenses and liabilities incurred by the Trustee (including remuneration payable to it) in carrying out its functions under this Trust Deed;
- 6.1.2 *secondly*, in or towards payment of any amounts owing remaining unpaid in respect of the Notes or Coupons *pari passu* and rateably; and
- 6.1.3 *thirdly*, in payment of any balance to the Issuer for itself,

**provided that**, if prior to receipt of moneys by the Trustee under this Clause in respect of amounts payable under the Notes and the Coupons or within 30 days of receipt of such moneys but only to the extent that the Trustee has received and, on the date on which it acquires actual knowledge of the content of the certification referred to below, has not distributed to the Noteholders any such amount, the Trustee is provided with a certification pursuant to Clause 5.1 which (a) save where the Issuer is in winding-up, states that the Issuer could not make such payment in whole or in part and still be solvent for the purposes of Clause 5.1 immediately thereafter or (b) where the Issuer is in winding-up, states that the Issuer has not paid and cannot pay the claims of Senior Creditors in full, the Trustee shall (after making application of such moneys as provided in sub-clause 6.1.1) hold such moneys (or the remainder thereof

after making the application as aforesaid) on trust for the return of the whole or such part thereof to the Issuer and any money so returned shall then be treated for the purposes of the Issuer's obligations hereunder as if it had not been paid by the Issuer and its original payment shall not be deemed to have discharged any of the obligations of the Issuer hereunder.

The Trustee shall not be liable to any person for applying amounts received by it in respect of the Notes or the Coupons or any other amounts payable under this Trust Deed, if at the time of such application it has no actual knowledge that such receipt falls within the provisions of the proviso to this Clause 6.1. It is expressly understood and agreed by the parties to this Trust Deed that nothing in this Trust Deed shall impose on the Trustee any obligation to pay any amount out of its personal assets.

Without prejudice to the other provisions of this Clause 6.1, if the Trustee holds any moneys which represent principal, premium or Payments in respect of Notes or Coupons which have become void under Condition 11, the Trustee shall (subject to no sums being then due to the Trustee in respect of any Note or Coupon and subject to the payment or satisfaction of the costs, charges, expenses, liabilities and remuneration referred to in sub-clause 6.1.1) pay the same to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with between the Issuer or any other person).

## **6.2 Partial Payment**

Upon any payment under Clause 6.1 above (other than payment in full against surrender of a Note or Coupon), the Note or Coupon in respect of which such payment is made shall be produced to the Trustee or the Paying Agent by or through whom such payment is made and the Trustee shall or shall cause the relevant Paying Agent to endorse thereon a memorandum of the amount and the date of payment.

## **6.3 Notice**

The Issuer shall give notice to Noteholders and Couponholders in accordance with Condition 15 of the day fixed for any payment to them under Clause 6.1. Such payment shall be made in accordance with Condition 8 and any payment so made shall be a good discharge to the Trustee.

## **6.4 Accumulation**

If the amount of the moneys at any time available for payment in respect of the Notes (excluding, for the avoidance of doubt, any Coupons) under Clause 6.1 is less than 10 per cent of the principal amount of the Notes then outstanding, the Trustee may, at its discretion, invest such moneys in some or one of the investments authorised in Clause 6.5. The Trustee may retain such investments and accumulate the resulting income until the investments and the accumulations, together with any other funds for the time being under its control and available for such payment, amount to at least 10 per cent of the principal amount of the Notes then outstanding and then such investments, accumulations and funds (after deduction of, or provision for, any applicable taxes) will be applied as specified in Clause 6.1 **provided that** this Clause shall not apply to any monies received by the Trustee pursuant to Condition 6 or Clauses 2.5 or 2.6.

## 6.5 **Investment**

Any moneys, which under the trusts of this Trust Deed may be invested by the Trustee, in its name or under its control, in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to the aforesaid or not, which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee and in such currency as the Trustee may think fit and the Trustee may at any time or times vary any such investments for or into other investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss due to depreciation in value, fluctuations in exchange rates or otherwise resulting from any such investments or deposits.

## 7. **COVENANTS**

### 7.1 **Covenants of the Issuer**

#### 7.1.1 ***Conduct***

So long as any Note is outstanding, the Issuer will at all times carry on and conduct its affairs and procure that its Subsidiaries carry on and conduct their respective affairs in a proper and efficient manner.

#### 7.1.2 ***Information***

So long as any Note is outstanding, the Issuer will, so far as is permitted by applicable law, give to the Trustee such information and evidence as it shall properly require and in such form as it shall require (including but without prejudice to the generality of the foregoing the procurement by the Issuer of all such certificates called for by the Trustee pursuant to Clause 9.5) for the purpose of the discharge of the duties, trusts, powers, authorities and discretions vested in it under this Trust Deed or by operation of law **provided that** nothing in this sub-clause 7.1.2 shall oblige the Issuer to disclose confidential information relating to its customers.

#### 7.1.3 ***Accounts***

So long as any Note is outstanding, the Issuer will cause to be prepared and certified by the Auditors, in respect of each financial period, accounts in such form as will comply with the requirements for the time being of any stock exchange on which the Notes are for the time being listed.

#### 7.1.4 ***Books of account***

So long as any Note is outstanding, the Issuer will at all times keep, and procure that each of its Subsidiaries keeps, proper books of account and upon request from the Trustee on reasonable notice and not more than once a year, allow the Trustee access to such accounts.

7.1.5 ***Notice of default***

So long as any Note is outstanding, the Issuer will give notice in writing to the Trustee of the occurrence of any non-payment of any sums when due (as provided in Condition 9(a)) and of any breach by it or the Holding Company of any other term, condition or provision binding on it or the Holding Company under this Trust Deed or the Notes.

7.1.6 ***Financial statements etc.***

So long as any Note is outstanding, the Issuer will deliver to the Trustee, within 180 days of the end of its financial year, (in addition to any copies to which it may be entitled as a holder of any securities of the Issuer) two copies of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document issued or sent to its shareholders (in their capacity as such) together with any of the foregoing, and every document issued or sent to holders of any securities of the Issuer (in their capacity as such) other than its shareholders but including the Noteholders, in each case as soon as practicable after the issue or publication thereof.

7.1.7 ***Winding-up***

So long as any Note is outstanding, the Issuer will forthwith give notice in writing to the Trustee of the occurrence of an order or effective resolution being passed for the winding-up of the Issuer and without waiting for the Trustee to take any action.

7.1.8 ***Further acts***

So long as any Note is outstanding, the Issuer will at all times execute and do all such further documents, acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to this Trust Deed.

7.1.9 ***Paying Agents***

So long as any Note is outstanding, the Issuer will maintain (a) at all times an Agent Bank, a Calculation Agent, a Principal Paying Agent and a Paying Agent having a specified office in London (which may be the same as the Principal Paying Agent), (b) for so long as the Notes are listed on the London Stock Exchange and the rules of that stock exchange so require, a Paying Agent having a specified office in London and (c) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 10 upon presentation of the Note or Coupon, as the case may be, for payment in the United Kingdom, a Paying Agent having a specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to such Directive is introduced and which is approved by the Trustee, **provided that** under no circumstances shall the Issuer be obliged to maintain

a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State to so withhold or deduct tax.

7.1.10 *Notice of non-payment when due*

So long as any Note is outstanding, the Issuer will procure the Principal Paying Agent to notify the Trustee forthwith in the event that it does not, on or before the due date for payment of the Notes or Coupons, receive unconditionally pursuant to the Paying Agency Agreement payment of the full amount in the requisite currency of the moneys payable on such due date on all such Notes or Coupons, as the case may be.

7.1.11 *Notice of late payment*

So long as any Note is outstanding, the Issuer will in the event of the unconditional payment to the Principal Paying Agent of any sum due in respect of the Notes or Coupons being made after the due date for payment thereof, forthwith give or procure to be given notice to the relevant Noteholders in accordance with the Conditions that such payment has been made.

7.1.12 *Change in Agents*

So long as any Note is outstanding, the Issuer will give notice to the Noteholders in accordance with the Conditions of any appointment, resignation or removal of any Paying Agent, the Calculation Agent or the Agent Bank (other than the appointment of the initial Paying Agents, the initial Calculation Agent or the initial Agent Bank) after having obtained the approval of the Trustee thereto or change of any Paying Agent's specified office and (except as provided by the Paying Agency Agreement) at least 30 days prior to such event taking effect; **provided always that** so long as any of the Notes remains outstanding in the case of the resignation or removal of the Principal Paying Agent, the Calculation Agent or the Agent Bank no such resignation or removal shall take effect until a new Principal Paying Agent, Calculation Agent or Agent Bank (as the case may be) has been appointed on terms approved by the Trustee.

7.1.13 *Notices to Trustee*

So long as any Note is outstanding, the Issuer will obtain the prior written approval of the Trustee to, and promptly give to the Trustee two copies of, the form of every notice given to the Noteholders in accordance with the Conditions (such approval, unless so expressed, not to constitute approval for the purposes of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom of any such notice which is an investment advertisement (as defined therein)).

7.1.14 ***Tax***

So long as any Note is outstanding, the Issuer will if the Issuer shall become subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to the United Kingdom or any such political sub-division thereof or any such authority therein or thereof, immediately upon becoming aware thereof notify the Trustee of such event and (unless the Trustee otherwise agrees) enter forthwith into a trust deed supplemental hereto, giving to the Trustee an undertaking or covenant in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 10 with the substitution for (or, as the case may be, the addition to) the references therein to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax of references to that other or additional territory or any political sub-division thereof or any authority therein or thereof having power to tax to whose taxing jurisdiction the Issuer shall have become subject as aforesaid, such Trust Deed also to modify Condition 7(c) so that such Condition shall make reference to the other or additional territory, any political sub-division thereof and any authority therein or thereof having power to tax.

7.1.15 ***Paying Agency Agreement and Calculation Agency Agreement***

So long as any Note is outstanding, the Issuer will comply with and perform all its obligations under the Paying Agency Agreement and the Calculation Agency Agreement and use its best endeavours to procure that the Agents comply with and perform all their respective obligations thereunder and not make any amendment or modification to either such Agreement without the prior written approval of the Trustee.

7.1.16 ***Listing***

So long as any Note is outstanding, the Issuer will use all reasonable endeavours to maintain the listing of the Notes on the London Stock Exchange for as long as any Notes are outstanding or, if it is unable to do so having used all reasonable endeavours, use all reasonable endeavours to obtain and maintain a quotation or listing of the Notes on such other stock exchange or securities market as the Issuer may (with the approval of the Trustee) decide and shall also use all reasonable endeavours to procure that there will at all times be furnished to any such stock exchange or securities market such information as such stock exchange or securities market may require to be furnished in accordance with its requirements and shall also upon obtaining a quotation or listing of the Notes on such other stock exchange or securities market enter into a deed supplemental hereto to effect such consequential amendments to this Trust Deed as the Trustee may require to comply with the requirements of any such stock exchange or securities market.

7.1.17 ***Notes held by Issuer etc.***

So long as any Note is outstanding, the Issuer will in order to enable the Trustee to ascertain the amount of Notes for the time being outstanding for

any of the purposes referred to in the proviso to the definition of "outstanding" contained in Clause 1, deliver to the Trustee within seven days of being so requested in writing by the Trustee a certificate in writing signed by two Authorised Signatories of the Issuer setting out the total number of Notes which:

- (i) up to and including the date of such certificate have been purchased by the Issuer or any Subsidiary and cancelled; and
- (ii) are at the date of such certificate held by any person (including but not limited to the Issuer or any Subsidiary) for the benefit of the Issuer or any Subsidiary or any holding company of the Issuer.

7.1.18 ***Issue of Issuer Shares***

So long as any Note is outstanding, the Issuer will:

- (i) if the Issuer exercises its option to redeem, substitute or vary the Notes pursuant to any of Conditions 7(b), 7(c), 7(d) or 7(e), give, in accordance with Condition 6(a), notice to the Trustee, the Principal Paying Agent and the Calculation Agent of the Issuer's intention to satisfy an ACSM Payment by the issue of Issuer Shares;
- (ii) duly proceed to issue and, in the case of share capital, allot and deliver such Issuer Shares pursuant to Condition 6 and Clause 2.5; and
- (iii) ensure that all Issuer Shares in the form of share capital so delivered will be duly and validly issued as fully-paid and non-assessable.

7.1.19 ***Coupon Deferral***

So long as any Note is outstanding, the Issuer will:

- (i) if the Issuer shall elect to defer any Coupon Payment under Condition 4 it shall give notice of such election to the Noteholders (in accordance with Condition 15), the Trustee, the Principal Paying Agent and the Calculation Agent not less than 20 Business Days prior to the relevant Coupon Payment Date; and
- (ii) if the Calculation Agent has determined there exists a Market Disruption Event as a consequence of which an ACSM Payment may be deferred under Condition 6(e), deliver to the Trustee, the Calculation Agent, the Principal Paying Agent and the Noteholders (in accordance with Condition 15) as soon as possible after the Calculation Agent makes such determination, a certificate signed by two Authorised Signatories specifying details of the same.

7.1.20 ***Availability of Share Capital***

So long as any Note is outstanding, the Issuer will use all reasonable endeavours to obtain and maintain all corporate authorisations and take other corporate actions required for the issue and allotment of share capital and from

time to time keep available, free from pre-emption or other rights out of its authorised but unissued Issuer Shares such number of Issuer Shares as required pursuant to Condition 18.

7.1.21 ***Certificate***

So long as any Note is outstanding, the Issuer will send to the Trustee, within 14 days of its annual audited financial statements being made available to its shareholders, and also within seven days of any request by the Trustee, a certificate of the Issuer signed by two Authorised Signatories that, as at a date (the Certification Date) not more than five days before the date of the certificate, to the best of the knowledge and belief of the persons so certifying, they having made all reasonable enquiries, no order has been made, or effective resolution passed, for the winding-up of the Issuer or other breach of or default (including non-payment of any sums when due (as provided in Condition 9(a))) under this Trust Deed or the Notes by the Issuer or the Holding Company had occurred since the Certification Date of the last such certificate or (if none) the date of this Trust Deed or, if such an event had occurred, giving details of it.

7.1.22 ***FSA notification***

So long as any Note is outstanding, the Issuer will where confirmation from the FSA that it has no objection to the making of any payment or the taking of any other action under the Conditions or this Trust Deed is required to be obtained before the making of such payment or the taking of such action pursuant to this Trust Deed, give the requisite period of notice as provided for in the Conditions or this Trust Deed or, if such notice requirement is not so provided for in the Conditions, six months' prior written notice to the FSA before such payment is made or such other action is taken (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given).

7.1.23 ***FSA objection***

So long as any Note is outstanding, the Issuer will if having received an objection to the making of any payment or taking of any action pursuant to this Trust Deed from the FSA following notification thereof to the FSA pursuant to sub-clause 7.1.22 above, promptly provide a copy thereof to the Trustee.

7.1.24 ***The Intra-Group Loan Agreement***

- (a) On the Effective Date, the Issuer shall enter into an amendment of the Intra-Group Loan Agreement in the form of the draft dated 31 March 2010.
- (b) So long as any Note is outstanding, the Issuer may not agree to any amendment to or waiver of Clause 4.1 of the Intra-Group Loan Agreement.



7.1.25 ***Revocation of the 2010 Deferred Coupon Notice***

The Issuer shall exercise its discretion to revoke the 2010 Deferred Coupon Notice if the Extraordinary Resolution notified to Noteholders on 31 March 2010 is duly passed by Noteholders and becomes effective on 22 April 2010.

7.2 **Covenants of the Holding Company**

7.2.1 ***Issue of Ordinary Shares***

So long as any Note is outstanding, the Holding Company will:

- (i) duly proceed to issue and, in the case of share capital, allot and deliver such Ordinary Shares pursuant to Condition 6 and Clause 2.5; and
- (ii) ensure that all Ordinary Shares in the form of share capital so delivered will be duly and validly issued as fully-paid and non-assessable.

7.2.2 ***Availability of Share Capital***

So long as any Note is outstanding, the Holding Company will use all reasonable endeavours to obtain and maintain all corporate authorisations and take other corporate actions required for the issue and allotment of share capital and from time to time keep available, free from pre-emption or other rights out of its authorised but unissued Ordinary Shares such number of Ordinary Shares as required pursuant to Condition 18.

- 7.3 No damages will be payable for breach of either sub-clause 7.1.20 or sub-clause 7.2.2 but, in the event of breach by the Issuer or the Holding Company, as the case may be, of Condition 18, the Trustee may only require the Issuer or the Holding Company, as the case may be, as soon as is reasonably practicable, to put appropriate resolution(s) before shareholder(s) of the Issuer or the Holding Company, as the case may be, whether in general meeting or in writing, in order to remedy and/or ratify such breach to the extent legally possible.

8. **REMUNERATION AND INDEMNIFICATION OF THE TRUSTEE**

8.1 **Normal remuneration**

So long as any Note is outstanding the Issuer will pay the Trustee as remuneration for its services as Trustee such sum on such dates in each case as they may from time to time agree. Such remuneration will accrue from day to day from the date of this Trust Deed. However, if upon due presentation of any Note or Coupon any payment of moneys due in respect thereof is improperly withheld or refused, such remuneration will again accrue as from the date of such withholding or refusal until payment to such Noteholder or Couponholder is duly made.

8.2 **Additional remuneration**

If (i) an order or effective resolution for the winding-up of the Issuer shall have been passed or (ii) there has been any non-payment of any sums when due (as provided in

Condition 9(a)) or (iii) there has been any other breach as referred to in sub-clause 7.1.5 or (iv) any ACSM Payment is to be satisfied in accordance with Condition 6 or (v) the Trustee is required to agree to a substitution of, or a variation to, the terms of the Notes pursuant to Conditions 7(c), 7(d), and 8(d) the Issuer hereby agrees that the Trustee shall be entitled to be paid additional remuneration calculated at its normal hourly rates in force from time to time. In any other case, if the Trustee finds it expedient or necessary or is requested by the Issuer to undertake duties which they both agree to be of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Trust Deed, the Issuer will pay such additional remuneration as they may agree (and which may be calculated by reference to the Trustee's normal hourly rates in force from time to time) or, failing agreement as to any of the matters referred to above in this Clause (or as to such sums referred to in Clause 8.1), as determined by a financial institution (acting as an expert) selected by the Trustee and approved by the Issuer or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales. The expenses involved in such nomination and such financial institution's fee will be paid by the Issuer. The determination of such financial institution will be conclusive and binding on the Issuer, the Trustee, the Noteholders and the Couponholders.

### 8.3 Expenses

The Issuer will also on demand by the Trustee pay or discharge all costs, charges, liabilities and expenses properly incurred by the Trustee in the preparation and execution of this Trust Deed and the performance of its functions under this Trust Deed, the Paying Agency Agreement and the Calculation Agency Agreement including, but not limited to, legal and travelling expenses and (save to the extent the Issuer has paid stamp, documentary or other taxes or duties pursuant to Clause 4.2) any stamp, documentary or other taxes or duties paid by the Trustee in connection with any legal proceedings properly brought or contemplated by the Trustee against the Issuer to enforce any provision of this Trust Deed, the Paying Agency Agreement, the Calculation Agency Agreement, the Notes or the Coupons. Such costs, charges, liabilities and expenses will:

8.3.1 be payable by the Issuer on demand and in the case of payments actually made by the Trustee prior to the demand shall (if not paid within three days after demand and the Trustee so requires) carry interest at the rate of 3 per cent. per annum above the base rate from time to time of HSBC Bank plc from the date of the same being demanded; and

8.3.2 in other cases will carry interest at such rate from 30 days after the date of the demand or (where the demand specifies that payment is to be made on an earlier date) from the later of such earlier date and the third Business Day after the demand.

### 8.4 Indemnity

The Issuer will on demand by the Trustee indemnify and/or secure it in respect of Amounts or Claims paid or incurred by it in acting as trustee under this Trust Deed (including (1) any Agent/Delegate Liabilities, (2) in respect of disputing or defending any Amounts or Claims made against the Trustee or any Agent/Delegate Liabilities and (3) any Amounts or Claims it may incur as a result of the acts or omissions of the

Calculation Agent (or otherwise as a result of the Calculation Agent acting as such as contemplated in Clause 2.5 and the Calculation Agency Agreement). The Issuer will on demand by such agent or delegate indemnify it against such Agent/Delegate Liabilities. "Amounts or Claims" are losses, liabilities, costs, claims, actions, demands or expenses and "Agent/Delegate Liabilities" are Amounts or Claims which the Trustee is or would be obliged to pay or reimburse to any of its agents or delegates appointed pursuant to this Trust Deed. The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 8.4.

**8.5 Continuing effect**

Clauses 8.3 and 8.4 will continue in full force and effect as regards the Trustee even if it no longer is Trustee.

**8.6 No subordination**

Payments under this Clause 8 are not subordinated to any other obligations of the Issuer.

**9. PROVISIONS SUPPLEMENTAL TO THE TRUSTEE ACT 1925 AND THE TRUSTEE ACT 2000**

**9.1 Advice**

The Trustee may in relation to this Trust Deed act on the opinion or advice of or any information obtained from any lawyer, valuer, accountant, banker, broker or other expert whether obtained by the Issuer, the Trustee or otherwise and whether or not addressed to the Trustee (and whether such adviser's liability in respect of the same is limited by reference to a monetary cap or otherwise) and will not be responsible to anyone for any loss occasioned by so acting. Any such opinion, advice or information may be sent or obtained by letter, telex, email or fax and the Trustee will not be liable to anyone for acting in good faith on any opinion, advice or information purporting to be conveyed by such means even if it contains some error or is not authentic.

**9.2 Trustee to assume performance**

The Trustee need not notify anyone of the execution of this Trust Deed or do anything to find out if an order or effective resolution for the winding-up of the Issuer has been passed or to find out if there has been a non-payment of any sums when due (as provided in Condition 9(a)) or any other breach as referred to in sub-clause 7.1.5. Until it has actual knowledge or express notice to the contrary, the Trustee may assume that no such event has occurred and that each of the Issuer and the Holding Company is observing and performing all its obligations under this Trust Deed, the Notes and the Coupons.

**9.3 Trustee not obliged to monitor**

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within Condition 7 or whether a Suspension under Condition 8(d) has occurred 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 actual knowledge of the occurrence of any circumstance within Condition 7 or the

occurrence of a Suspension under Condition 8(d), it shall be entitled to assume that no such event or circumstance exists.

#### **9.4 Resolutions of Noteholders**

The Trustee will not be responsible for having acted in good faith on a written resolution passed pursuant to paragraph 23.1 of Schedule 3 or a resolution purporting to have been passed at a meeting of Noteholders in respect of which minutes have been made and signed even if it is later found that there was a defect in the constitution of the meeting or the passing of the resolution or that the resolution was not valid or binding on the Noteholders or Couponholders.

#### **9.5 Certificate signed by Authorised Signatories**

If the Trustee, in the exercise of its functions, requires to be satisfied or to have information as to any fact or the expediency of any act, it may call for and accept as sufficient evidence of that fact or the expediency of that act a certificate signed by two Authorised Signatories as to that fact or to the effect that, in their opinion, that act is expedient and the Trustee need not call for further evidence and will not be responsible for any loss occasioned by acting on such a certificate.

#### **9.6 Custodian**

The Trustee may appoint as custodian, on any terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute and may deposit this Trust Deed and any other documents with such custodian and pay all sums due in respect thereof. The Trustee is not obliged to appoint a custodian of securities payable to bearer. The Trustee shall not be responsible for or required to insure against any loss incurred in connection with any such deposit and may pay all sums required to be paid on account of or in respect of any such deposit.

#### **9.7 Discretion**

Save as expressly otherwise provided in this Trust Deed, the Trustee shall have absolute and uncontrolled discretion as to the exercise of the discretions vested in the Trustee by this Trust Deed but whenever the Trustee is under the provisions of this Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing.

#### **9.8 Agents**

Whenever it considers it expedient in the interests of the Noteholders, the Trustee may, in the conduct of the trusts of this Trust Deed, instead of acting personally, employ and pay an agent selected by it, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee hereunder (including the receipt and payment of money). Any trustee under the provisions of

this Trust Deed being a lawyer, accountant, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his firm in connection with the trusts of this Trust Deed and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his firm in connection with matters arising in connection with this Trust Deed.

**9.9 Delegation**

Whenever it thinks fit, the Trustee may delegate to any person on terms it considers fit in the interests of the Noteholders, (including power to sub-delegate) all or any of its functions hereunder.

**9.10 Forged Notes**

The Trustee will not be liable to the Issuer or any Noteholder or Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon purporting to be such and later found to be forged or not authentic.

**9.11 Disclosure**

Neither the Trustee nor any attorney, manager, agent, delegate or other person appointed by it under this Trust Deed shall be required to disclose to any Noteholder or Couponholder any confidential, financial, price-sensitive or other information made available to the Trustee or any attorney, manager, agent, delegate or other person appointed by it under this Trust Deed by the Issuer or any Subsidiary in connection with the trusts of this Trust Deed and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee or any such person aforesaid any such information.

**9.12 Determinations conclusive**

As between itself and the Noteholders and Couponholders the Trustee may determine all questions and doubts arising in relation to any of the provisions of this Trust Deed. Such determinations, whether made upon such a question actually raised or implied in the acts or proceedings of the Trustee, will be conclusive and shall bind the Trustee, the Noteholders and the Couponholders.

**9.13 Currency conversion**

Where it is necessary or desirable to convert any sum from one currency to another, it will (unless otherwise provided hereby or required by law) be converted at such rate or rates, in accordance with such method and as at such date as may be agreed by the Trustee in consultation with the Issuer. Any rate, method and date so specified will be binding on the Issuer, the Noteholders and the Couponholders.

**9.14 Payment for and delivery of Notes**

The Trustee will not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes, any exchange of the Notes or the delivery of the Notes to the persons entitled to them.

**9.15 Notes held by the Issuer etc.**

In the absence of knowledge or express notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate under sub-clause 7.1.17) that no Notes are for the time being held by or on behalf of the Issuer or its Subsidiaries or any holding company of the Issuer.

**9.16 Consents of Trustee**

Any consent or approval given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit.

**9.17 Certificates**

The Trustee may call for any certificate or other document to be issued by Euroclear or Clearstream, Luxembourg as to the principal amount of Notes represented by the Temporary Global Note and/or the Permanent Global Note standing to the account of any person. Any such certificate or other document shall be conclusive and binding for all purposes. The Trustee shall not 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 Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

**9.18 Nominees**

In relation to any asset held by it under this Trust Deed, the Trustee may appoint any person to act as its nominee on any terms.

**9.19 No liability for Appointees and Calculation Agent**

If the Trustee exercises reasonable care in selecting any custodian, agent, delegate or nominee appointed under this Clause (an Appointee), it will not have any obligation to supervise the Appointee or any sub-delegate or be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of the Appointee's or any sub-delegate's misconduct or default or the misconduct or default of any substitute appointed by the Appointee. The Trustee shall also not have any obligation to supervise the Calculation Agent or be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of the Calculation Agent's misconduct.

**9.20 No liability for appointing a Successor Calculation Agent**

The Trustee shall have no responsibility for maintaining the appointment of a Calculation Agent and if, for whatever reason there shall cease to be a Calculation Agent appointed, the Trustee, without liability to any person, shall not be responsible or obliged to find or appoint a Successor Calculation Agent and shall in no circumstances have any responsibility or obligation to perform any of the functions or duties imposed on the Calculation Agent under the Calculation Agency Agreement, the Trust Deed or the Conditions.

## 9.21 **Liability**

No liability shall attach to the Trustee (either directly or in respect of the acts or omissions of any of its agents (appointed by it or otherwise)) if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or such agents, any of the Trustee or such agents is unable to comply with the provisions of Condition 6. The Trustee will not be responsible to anyone for any misconduct or omission by any of its agents (including those who become such pursuant to Condition 6 and Clause 2.4(b)) or be bound to supervise the proceedings or acts of any such agents. The Trustee shall have no liability to Noteholders or any other person if the proceeds of the sale of Payment Ordinary Shares or Alternative Securities issued are insufficient to satisfy the relevant ACSM Payment and all Associated Costs in full whether by virtue of a fall in value of the Payment Issuer Shares or Payment Ordinary Shares or Alternative Securities or the Trustee being liable to tax in respect of receiving or holding any funds received from the sale of such Payment Issuer Shares or Payment Ordinary Shares or Alternative Securities or such cash or otherwise.

## 9.22 **Tax**

The Trustee shall not be liable for any loss which any of the Issuer or the Noteholders may suffer if it is liable to tax in respect of any funds received from the sale of such Payment Issuer Shares or Payment Ordinary Shares or Alternative Securities or any such cash and for any shortfall in the amount of proceeds available for distribution to Noteholders as a result.

## 9.23 **Trustee Act 2000**

To the extent that its application can be excluded the Trustee Act 2000 shall not apply to the trusts constituted by this Trust Deed.

## 9.24 **Calculation Agent**

The Trustee shall be entitled to rely on a certificate of the Calculation Agent as to any determination made by it pursuant to the definition of Market Disruption Event as set out in Condition 21.

## 9.25 **Risk to Trustee**

Nothing shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any power if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

## 9.26 **Merger**

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially to all the corporate trust business of the Trustee, shall, following a notice in writing from the Trustee that such merger, conversion consolidation or succession will occur or has occurred on a specified date set out in notice, become the successor of the Trustee hereunder, provided such corporation shall be otherwise

qualified and eligible under this Clause, without the execution or filing of any paper or any further act on the part of any of the parties hereto and so long as the obligations of the Trustee hereunder will be valid, binding and enforceable against such successor following the specified date mentioned above.

**9.27 Trustee not bound to act without being indemnified and/or secured**

The Trustee shall not be bound to take any action or step in connection with this Trust Deed or the Notes or obligations arising pursuant thereto, including, without prejudice to the generality of the foregoing, forming an opinion or employing any financial advisor, where it is not satisfied that it will be indemnified and/or secured (including, if required by the Trustee, by payment on account) to its satisfaction against all its liabilities and costs incurred in connection with such action. Prior to taking any such action, the Trustee may require that there be paid to it in advance such sum as it considers (without prejudice to any further demand) shall be sufficient so to indemnify and/or secure it and if such demand is made of the Issuer, the Issuer shall be obliged to make payment of such sums in full.

**9.28 Full and Final Settlement**

The Trustee, by entering into this Agreement, acknowledges and confirms (as directed by Noteholders pursuant to an Extraordinary Resolution duly passed at a meeting of Noteholders on 22 April 2010) that this Agreement is entered into in full and final settlement of all claims, disputes and disagreements relating to the Notes as between the Noteholders, the Issuer and any other company in the Phoenix group of companies in connection with the Notes up to and including the date hereof.

**10. TRUSTEE LIABLE FOR NEGLIGENCE**

10.1 If the Trustee (or any delegate) fails to show the degree of care and diligence required of it as trustee (or such delegate), due regard being given to the provisions hereof conferring on it trusts, duties, powers and discretions, nothing in this Trust Deed shall relieve or indemnify it from or against any liability for breach of trust or any liability, which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under this Trust Deed.

10.2 Subject to the provisions of Clause 10.1 and Section 750 of the Companies Act 2006, the Trustee shall not be liable for any error of judgement made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters.

**11. WAIVER AND PROOF OF DEFAULT**

**11.1 Waiver**

The Trustee may, without the consent of the Noteholders or Couponholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Noteholders will not be materially prejudiced thereby, waive or authorise, on such terms as seem expedient to it, any breach or proposed breach by the Issuer of this Trust Deed, the Conditions, the Paying



Agency Agreement or the Calculation Agency Agreement **provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 9. No such direction or request will affect a previous waiver or authorisation. Any such waiver or authorisation will be binding on the Noteholders and the Couponholders and, if the Trustee so requires, will be notified to the Noteholders as soon as practicable.

#### 11.2 **Proof of Default**

Proof that the Issuer has failed to pay a sum due to the holder of any one Note or Coupon will (unless the contrary be proved) be sufficient evidence that it has made the same default as regards all other Notes or Coupons which are then payable.

### 12. **TRUSTEE NOT PRECLUDED FROM ENTERING INTO CONTRACTS**

The Trustee and any director or officer of a corporation acting as a trustee under this Trust Deed, whether or not acting for itself, may:

- (a) acquire, hold or dispose of any Note, Coupon or other security (or any interest therein) of the Issuer or any other person associated with the Issuer;
- (b) or may enter into or be interested in any contract or transaction,

with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person in each case with the same rights as it would have had if the Trustee were not acting as Trustee and need not account for any profit.

### 13. **MODIFICATION AND SUBSTITUTION**

#### 13.1 **General**

The Trustee may agree with the Issuer and the Holding Company without the consent of the Noteholders or the Couponholders to any modification of the Conditions or any other provisions of this Trust Deed, the Paying Agency Agreement or the Calculation Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Subject to Clause 13.5, the Trustee may agree with the Issuer, and the Holding Company without the consent of the Noteholders or the Couponholders to any modification of the Conditions or any other provisions of this Trust Deed, the Paying Agency Agreement or the Calculation Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders. No modification or waiver to the Conditions or any provisions of this Trust Deed or substitution under Clause 13.2 shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept) (so long as there is a requirement to give such notice).

#### 13.2 **Substitution of the Issuer**

The Trustee may agree with the Issuer and the Holding Company, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis

equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Clause), as a new principal debtor under the Trust Deed, the Notes and the Coupons **provided that**:

- 13.2.1 a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of this Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in this Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor under this Clause, as the case may be);
- 13.2.2 (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under this Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 2 and in this Trust Deed and in a form and manner satisfactory to the Trustee;
- 13.2.3 if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent (as defined in Condition 2(b)(i) on a basis applicable *mutatis mutandis* to the Substitute Obligor) at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- 13.2.4 (without prejudice to the rights of reliance of the Trustee under sub-clause 13.2.3) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- 13.2.5 (without prejudice to the generality of sub-clause 13.2.1) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing this Trust Deed and/or the Notes and/or the Coupons and/or the Talons, **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- 13.2.6 if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 10 with the substitution for the references in that Condition to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, will be read accordingly; and

13.2.7 the Issuer, the Substitute Obligor and the Holding Company comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

### **13.3 Release and Notice of Substitution of the Issuer**

An agreement by the Trustee pursuant to Clause 13.2 will, if so expressed, release the Issuer (or a previous substitute) from any or all of its obligations under this Trust Deed, the Notes, the Coupons and the Talons. Notice of the substitution will be given to the Noteholders within 14 days of the execution of such documents and compliance with such requirements.

### **13.4 Substitute Obligor as Principal Debtor**

On completion of the formalities set out in Clause 13.2, the Substitute Obligor will be deemed to be named in this Trust Deed, the Notes, the Coupons and the Talons as the principal debtor in place of the Issuer (or of any previous substitute) and this Trust Deed, the Notes, the Coupons and the Talons will be deemed to be amended as necessary to give effect to the substitution.

### **13.5 Substitution or Variation of the Notes**

The agreement or approval of the Noteholders shall not be required in the case of any variation to the Conditions and/or this Trust Deed required to be made in the circumstances described in Conditions 7(c), 7(d) and 8(d) in connection with the substitution or variation of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 7(c), 7(d) or 8(d), as the case may be.

### **13.6 Noteholders as a class**

In connection with any proposed substitution of the Issuer as aforesaid and in connection with the exercise of its powers, authorities, rights and discretions (including but not limited to those referred to in this Clause), the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution of the Issuer or such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution of the Issuer or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided for in Condition 10 and/or any undertaking given in addition thereto or in substitution therefor pursuant to this Trust Deed.

### **13.7 Modification or substitution binding**

Any such modification, waiver, authorisation, substitution or variation shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees

otherwise, shall be notified to the Noteholders in accordance with the Conditions as soon as practicable thereafter.

### 13.8 **Suspension**

In the event of any Permitted Restructuring or any other take-over offer, acquisition, disposal, reorganisation, restructuring, scheme of arrangement or merger as a result of which, the holding company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner (the "**Event**"), then the Issuer shall as soon as practicable give notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders, whereupon the operation of the ACSM shall be suspended (such event being a "**Suspension**"). In such event, unless a Permitted Restructuring Arrangement shall be put in place within six months of the occurrence of the Event (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee shall determine, subject to the requirements that:

- (i) the Issuer shall not be obliged to reduce its net assets;
- (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for insurance regulatory capital and solvency purposes without giving at least one month's prior written notice to, and receiving no objection from, the FSA (or such period of notice as the FSA may accept and so long as such notice is required to be given); and
- (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent,

which amendments (if any) to the Conditions, this Trust Deed and any other relevant documents are appropriate in order to (aa) preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (bb) to replicate the ACSM and the Dividend and Capital Restriction in the context of the capital structure of the Issuer and the new Ultimate Owner.

Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, without any requirement for the consent or the approval of the Noteholders or Couponholders, effect any necessary consequential changes to the Conditions and this Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy an ACSM Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension. Without prejudice to Condition 8(d)(iii), the Trustee shall accept without investigation, requisition or objection such determination and the necessary consequential changes, subject to Clause 13.8(iii) above, notified to it by such investment bank and need not examine or enquire into or be liable for any omission, inaccuracy or misinformation therein contained whether such omission, inaccuracy or misinformation might have been discovered upon examination or enquiry.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the previous Ultimate Owner if not the

Holding Company, the new Ultimate Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and the Notes shall (subject in each case to giving at least one month's prior written notice to, and receiving no objection from, the FSA (or such period of notice as the FSA may accept and so long as such notice is required to be given) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer either be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or shall be redeemed, in each case in accordance with and subject to Condition 8(d).

#### 14. APPOINTMENT, RETIREMENT AND REMOVAL OF THE TRUSTEE

##### 14.1 Appointment

The Issuer has the power of appointing new trustees but no trustee may be so appointed unless previously approved by an Extraordinary Resolution. One or more persons may hold the office in accordance with Clause 14.3 below. A trust corporation will at all times be a Trustee and may be the sole Trustee. Any appointment of a new Trustee will be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

##### 14.2 Retirement and Removal

Any Trustee may retire at any time on giving at least three months' written notice to the Issuer without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee **provided that** the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, the Issuer will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee, **provided that** if the Issuer has failed to do so within two months of such notice, the Trustee may exercise the power of appointing a successor Trustee. The retirement or removal of a trustee shall not (unless there shall remain a trustee of this Trust Deed being a trust corporation) become effective until a successor Trustee (being a trust corporation) is appointed.

##### 14.3 Co-Trustees

The Trustee may, notwithstanding Clause 14.1, by written notice to the Issuer appoint anyone to act as a separate trustee or as an additional Trustee jointly with the Trustee:

- 14.3.1 if the Trustee considers the appointment to be in the interests of the Noteholders and/or the Couponholders;
- 14.3.2 to conform with a legal requirement, restriction or condition in a jurisdiction in which a particular act is to be performed; or
- 14.3.3 to obtain a judgment or to enforce a judgement or any provision of this Trust Deed in any jurisdiction.

The Issuer irrevocably appoints the Trustee as its attorney in its name and on its behalf to execute such instrument of appointment. The Trustee shall have power in like manner to remove any such person.

#### 14.4 **Trustee Appointments**

Subject to the provisions of this Trust Deed, the Trustee may confer on any person so appointed pursuant to Clause 14.3 such functions as it thinks fit. The Trustee may by written notice to the Issuer and that person remove that person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses properly incurred by it in performing its function as such separate trustee or co-trustee shall for the purposes of this Trust Deed be treated as costs, charges and expenses incurred by the Trustee.

#### 14.5 **Competence of a Majority of Trustees**

If there are more than two Trustees the majority of them will be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by this Trust Deed provided the majority includes a trust corporation.

### 15. **COUPONHOLDERS AND TALONHOLDERS**

#### 15.1 **Notices**

Neither the Trustee nor the Issuer need give any notice to the Couponholders or the Talonholders and the Couponholders and the Talonholders will be deemed to have notice of the contents of any notice given to the Noteholders.

#### 15.2 **Noteholders assumed to hold Coupons and Talons**

Even if it has express notice to the contrary, whenever the Trustee is required to exercise any of its functions by reference to the interests of the Noteholders, the Trustee will assume that each Noteholder is the holder of all Coupons and the Talons relating to each definitive Note of which he is the bearer.

### 16. **CURRENCY INDEMNITY**

#### 16.1 **Currency of Account and Payment**

Pounds sterling or such other currency as may be agreed between the Issuer and the Trustee from time to time (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Trust Deed, the Notes and the Coupons, including damages.

#### 16.2 **Extent of discharge**

Save where Condition 6 applies and the Issuer satisfies the relevant ACSM Payment by issuing Payment Issuer Shares as provided by Condition 6(b)(i), an amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Noteholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

### 16.3 **Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed, the Notes or the Coupons, the Issuer will, save as provided in Clause 16.2, indemnify it against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

### 16.4 **Indemnities separate**

The indemnities in this Clause 16 and in Clause 8.5 constitute separate and independent obligations of the Issuer from its other obligations in this Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Noteholder or Couponholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed, the Notes and/or the Coupons or any other judgment or order.

## 17. **COMMUNICATIONS**

Any notice or demand to the Issuer or the Trustee required to be given, made or served for any purposes under the Notes or this Trust Deed shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas) or facsimile transmission or by delivering it by hand as follows:

in the case of the Issuer, to it at:

Pearl Group Holdings (No. 1) Limited  
Juxon House  
100 St Paul's Churchyard  
London EC4M 8BU

Fax. no.: +44 20 7489 4860  
Attention: Company Secretary

in the case of the Trustee, to it at:

P.O. Box 88  
1 Grenville Street  
St Helier  
Jersey JE4 9PF

Fax. no.: +44 1534 672 433  
Attention: Manager, Corporate Services

and in the case of the Holding Company, to it at:

Phoenix Group Holdings  
c/o Maples Corporate Business Services Limited  
P.O. Box 309  
Ugland House  
Grand Cayman, KY1-1104

Cayman Islands

Attention: Company Secretary

or to such other address or facsimile number as shall have been notified (in accordance with this Clause) to the other party hereto and any notice or demand sent by post as aforesaid shall be deemed to have been given, made or served three days in the case of inland post or seven days in the case of overseas post after despatch and any notice or demand sent by facsimile transmission as aforesaid shall be deemed to have been given, made or served 24 hours after the time of despatch **provided that** in the case of a notice or demand given by facsimile transmission, such notice or demand shall forthwith be confirmed by post. Failure to send or the failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given by facsimile transmission.

## 18. FURTHER ISSUES

### 18.1 General

The Issuer shall be at liberty from time to time (but subject always to the terms and conditions of this Trust Deed) without the consent of the Noteholders or the Couponholders or the Holding Company to create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that the same shall be consolidated and form a single series with the outstanding Notes.

### 18.2 Further Notes

Any further Notes created and issued pursuant to the provisions of Clause 18.1 above shall, if they are to form a single series with the outstanding Notes constituted by this Trust Deed or any supplemental deed, be constituted by a deed supplemental to this Trust Deed and in any other case, if the Trustee so agrees, may be so constituted. In any such case the Issuer and, if applicable, the Holding Company shall, prior to the issue of any further Notes to be so constituted (being "**Further Notes**"), execute and deliver to the Trustee a deed supplemental to this Trust Deed (if applicable, duly stamped or denoted) containing a covenant by the Issuer in the form *mutatis mutandis* of Clause 2.2 in relation to the principal, premium, if any, and interest in respect of such Further Notes and such other provisions (whether or not corresponding to any of the provisions contained in these presents) as the Trustee shall require.

### 18.3 Memorandum

A memorandum of every such supplemental deed shall be endorsed by the Trustee on this Trust Deed and by the Issuer on the duplicates of this Trust Deed.

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

A person who is not a party to this Trust Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed except and to the extent that this Trust Deed expressly provides for such Act to apply to any of its terms.



20. **SERVICE OF PROCESS**

Without prejudice to any other mode of service allowed under any relevant law, the Holding Company irrevocably appoints:

20.1.1 the Issuer as its agent for service of process in relation to any proceedings before the English courts in connection with this Trust Deed; and

20.1.2 agrees that failure by an agent for service of process to notify the Holding Company of the process will not invalidate the proceedings concerned.

21. **GOVERNING LAW**

This Trust Deed and any non-contractual obligations arising out of or in connection with it are governed by and construed in accordance with English law.

**SCHEDULE 1  
FORM OF DEFINITIVE NOTE**

On the front:

<b>Denomination</b>	<b>ISIN</b>	<b>Series</b>	<b>Certif. No.</b>
50,000	XS0235245205		

**Pearl Group Holdings (No. 1) Limited**  
(formerly Resolution plc)

**(incorporated in England with limited liability)**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

This Note forms one of a series of Notes issued in the denomination of £50,000 and integral multiples of £1,000 thereafter each with Coupons and a Talon attached in an aggregate principal amount of £500,000,000 created pursuant to the resolutions of the Board of Directors of Pearl Group Holdings (No. 1) Limited (the "**Issuer**") passed on 18 October 2005 and the resolutions of a duly authorised committee of the Board of Directors of the Issuer passed on 8 November 2005 and constituted by a Trust Deed dated 17 November 2005 as amended and restated on or about 30 July 2008 and as further modified by a supplemental trust deed dated on or about 22 April 2010 (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") made between the Issuer, HSBC Trustee (C.I.) Limited as trustee (the trustee for the time being called herein the "**Trustee**") and Phoenix Group Holdings as holding company, and is issued subject to and with the benefit of the Trust Deed.

THIS IS TO CERTIFY that, for value received, the bearer is entitled to the principal sum of £[•]<sup>1</sup> on any date when such principal sum may become payable in accordance with the Conditions endorsed hereon together with any applicable premium and interest at the rates and on the dates provided for in the terms and conditions of the Notes endorsed on the reverse of this Note (the "**Conditions**") and such other amounts as may be payable under the Conditions, all subject to and in accordance with the Conditions and the provisions of the Trust Deed.

This Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Principal Paying Agent.

***Payments due hereunder are subject to the pool factor referred to in Condition 1(c).***

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<sup>1</sup> Issued in the denomination of £50,000 and integral multiples of £1,000 thereafter.

**IN WITNESS WHEREOF** the Issuer has caused this Note to be signed in facsimile on its behalf by an Authorised Signatory.

**PEARL GROUP HOLDINGS (NO. 1) LIMITED** (formerly Resolution plc)

.....  
By:

Issued in London on 17 November 2005.

This Note is authenticated by or on behalf of the Principal Paying Agent.

.....  
By:  
Authorised Signatory

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

On the back:

## TERMS AND CONDITIONS OF THE NOTES

*The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Note in definitive form (if issued).*

The £500,000,000 6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further instruments issued pursuant to Condition 16 and forming a single series with the Notes) of Pearl Group Holdings (No. 1) Limited (formerly Resolution plc) (the "**Issuer**") are constituted by a trust deed dated 17 November 2005 between the Issuer and HSBC Trustee (C.I.) Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"), as modified by a supplemental trust deed dated on or about 30 July 2008 and as further modified by a supplemental trust deed dated on or about 22 April 2010 made between the same parties and Phoenix Group Holdings (previously Pearl Group) (the "**Holding Company**") (the trust deed as so modified being hereinafter referred to as the "**Trust Deed**").

The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 18 October 2005 and resolutions of a duly authorised committee of the Board of Directors passed on 8 November 2005. The Notes were amended pursuant to an Extraordinary Resolution, passed by Noteholders on 22 April 2010, whereby a reduction of the outstanding principal amount of the Notes from £500,000,000 to £425,000,000 was effected by the application of a pool factor of 85 per cent.

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of (i) the Trust Deed; (ii) the paying agency agreement dated 17 November 2005 made between the Issuer, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto) and the other paying agents named therein and any successors thereto (together with the Principal Paying Agent, the "**Paying Agents**"), HSBC Bank plc as agent bank (the "**Agent Bank**", which expression shall include any successor thereto) and the Trustee, as modified by an amended and restated paying agency agreement dated on or about 30 July 2008 and as further modified by an amended and restated paying agency agreement dated on or about 22 April 2010 made between the same parties (the paying agency agreement as so modified being hereinafter referred to as the "**Paying Agency Agreement**"); and (iii) the calculation agency agreement dated on or about 22 April 2010 made between the Issuer, the Trustee and Citigroup Global Markets Limited (the "**Calculation Agent**", which expression shall include any successor thereto, the calculation agency agreement so modified being hereinafter referred to as the "**Calculation Agency Agreement**") are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the "**Coupons**", which expression includes, where the context so permits, Talons, as defined below) and talons for further Coupons (the "**Talons**") appertaining to Notes in definitive form (the "**Couponholders**") at the registered office of the Trustee, being at 1 Grenville Street, St. Helier, Jersey JE4 9PF and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement and the Calculation Agency Agreement applicable to them.

1. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are serially numbered and in bearer form in the minimum denomination of £50,000 and integral multiples of £1,000 thereafter up to and including £99,000, each with Coupons and one Talon attached on issue.

(b) ***Title***

Title to the Notes, Coupons and Talons will pass by delivery. The bearer of any Notes will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as their absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on it) and no person will be liable for so treating the Noteholders.

(c) ***Application of Pool Factor***

Pursuant to an Extraordinary Resolution, duly passed by Noteholders on 22 April 2010, a pool factor of 85 per cent. shall be applied to all of the Notes as at the Coupon Payment Date falling in 2010. The effect of applying such pool factor is that the principal amount outstanding under each of the Notes shall be treated as reduced by 15 per cent. and the obligations of the Issuer to make any payments in respect of the Notes whether of principal or interest (other than any Deferred Coupon Payment relating to a period prior to the Coupon Payment Date falling in 2010) shall thereafter be calculated by reference to the principal amount so reduced by such pool factor. For voting purposes the pool factor shall not be taken into account and quorum and voting entitlement shall be calculated by reference to the principal amount outstanding on the Notes without application of the pool factor.

2. **Status and Subordination**

(a) ***Status***

The Notes and the Coupons relating to them, constitute direct, unsecured and subordinated securities of the Issuer and rank, and will rank, *pari passu* without any preference among themselves.

(b) ***Subordination***

(i) ***Condition to Payment***

The rights and claims of the Noteholders and the Couponholders are subordinated to the claims of all Senior Creditors, in that payments in respect of, or arising from, the Notes (including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6) are conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of issue of such Issuer Shares and/or Ordinary Shares) and in that no principal, premium, interest or any other amount shall be due and payable in respect of the Notes

(including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter, in each case except in the winding-up of the Issuer.

In these Conditions, the Issuer shall be considered to be solvent if (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors).

A certificate as to the solvency of the Issuer by two Directors shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof.

(ii) *Solvency Claims*

Without prejudice to the rest of these Conditions, amounts representing any payments of principal, premium or interest or any other amount in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3. A Solvency Claim shall not bear interest.

(iii) *Set-off*

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

*For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above Condition 2(b), any sums which would otherwise be payable in respect of the Notes will be available to meet the losses of the Issuer.*

### 3. **Winding-up**

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (a) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (b) do not provide that the Notes shall thereby become payable), there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, on the day prior to the commencement of the winding-up and thereafter, 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 to, and so ranking *pari passu* with, the holders of the most senior class or classes of preference shares with non-cumulative dividends in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued non-cumulative shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Upper Tier 2 Securities in a winding-up of the Issuer is determined 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, were an amount equal to the principal amount of the relevant Note and any other Payments which are Outstanding thereon together with, to the extent not otherwise included within the foregoing, its *pro rata* share of any Solvency Claims attributable to the Note.

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

### 4. **Coupon Deferral**

*The Issuer is under no obligation to pay any Coupon Payment in cash so long as it exercises its right to defer any Coupon Payment in accordance with Condition 4(a). This is the result of:*

*(i) the Issuer having the right to defer any Coupon Payment otherwise scheduled to be paid on a Coupon Payment Date pursuant to Condition 4(a); and*

*(ii) the Issuer being obliged to satisfy any Deferred Coupon Payment only by the operation of the Alternative Coupon Satisfaction Mechanism.*

#### (a) **Deferral Right**

The Issuer may elect to defer any Coupon Payment otherwise scheduled to be paid on a Coupon Payment Date by giving notice of such election to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance

with Condition 15, the Noteholders not less than 20 Business Days prior to the relevant Coupon Payment Date.

(b) ***Revocation of Deferral***

The Issuer may revoke any notification of an election to defer the Coupon Payment scheduled to be paid on the Coupon Payment Date falling in 2010 given in accordance with Condition 4(a) and the deferral set out therein by giving notice of such revocation to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders at any time between the Extraordinary Resolution being duly passed by Noteholders on 22 April 2010 and prior to the Coupon Payment Date falling in 2010. The revocation of such deferral notification may only be given to the extent that the Issuer confirms in such revocation notice its intention to pay the Coupon Payment due in 2010 on the original Coupon Payment Date falling in 2010.

(c) ***Satisfaction of Deferred Coupon Payments***

The Issuer shall (except where either Condition 3 or Condition 4(d) applies) satisfy any such Deferred Coupon Payment or any Deferred Coupon Payment which arises as a result of the failure to satisfy the condition to payment set out in Condition 2(b)(i) only by operation of the ACSM set out in Condition 6 and the Issuer may satisfy any Deferred Coupon Payment at any time. For so long as any Deferred Coupon Payment remains unsatisfied, the Dividend and Capital Restriction shall apply and for purposes of the application of the Dividend and Capital Restriction only (notwithstanding the provisions of Condition 6(c)) a Deferred Coupon Payment shall be considered to be satisfied by the delivery to the Trustee or to its order of the proceeds of sale of the Payment Ordinary Shares and/or Alternative Securities in respect of such Deferred Coupon Payment, in an amount equal to the Deferred Coupon Payment, in accordance with Condition 6(b) or where applicable Condition 6(e).

(d) ***Satisfaction of 2009 Deferred Coupon Payment***

Notwithstanding Condition 4(c), the Issuer and the Holding Company have undertaken, in accordance with the Extraordinary Resolution duly passed by Noteholders on 22 April 2010, that the operation of the ACSM in respect of the 2009 Deferred Coupon Payment shall be concluded by the Issuer and the Holding Company no later than 31 December 2010 or, if earlier, no later than 30 days following the issue by the Holding Company of additional Tier 1 Capital in an amount in excess of £33,000,000. Any notification given by the Issuer pursuant to Condition 6(a) in respect of the 2009 Deferred Coupon Payment shall state that the 2009 Deferred Coupon Payment is calculated by reference to an outstanding principal amount of the Notes of £500,000,000.

(e) ***No default***

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any Coupon Payment by virtue of this Condition 4 or Condition



2(b)(i) shall not constitute a default for any purpose (including, without limitation, Condition 9(a)) on the part of the Issuer. Any Coupon Payment so deferred shall not, except in the circumstances provided in Condition 6(e), bear interest.

5. **Coupon Payments**

(a) ***Coupon Payment Dates***

The Notes bear interest at the applicable Coupon Rate from the Issue Date in accordance with the provisions of this Condition 5.

Subject to Conditions 2(b)(i), 2(b)(ii), 4, 6(a), 6(e) and 8(d), during the Fixed Rate Coupon Period, interest shall be payable on the Notes annually in arrear on each Coupon Payment Date up to and including the First Reset Date, and thereafter interest shall be payable on the Notes semi-annually in arrear on each subsequent Coupon Payment Date in each case as provided in this Condition 5.

Where it is necessary to compute an amount of interest in respect of any Note during the Fixed Rate Coupon Period for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Coupon Payment Date (or, if none, 25 April 2005) to (but excluding) the next (or first) scheduled Coupon Payment Date. Where it is necessary to compute an amount of interest in respect of any Note for a period of more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest shall accrue on the Notes in respect of all Coupon Periods (and any other period in respect of which interest may fall to be calculated) commencing on or after the First Reset Date on the basis of the actual number of days elapsed in the relevant period divided by 365 (or, in the case of a Coupon Payment Date falling in a leap year, 366).

(b) ***Interest Accrual***

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 7(b), the date of redemption, substitution or variation thereof pursuant to Condition 7(c) or 7(d) or the date of substitution thereof pursuant to Condition 7(e), as the case may be, unless, upon due presentation, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

(c) ***Fixed Coupon Rate***

During the Fixed Rate Coupon Period, the Notes bear interest on the principal amount treated as outstanding from time to time after the application of the pool factor referred to in Condition 1(c) at the rate of 6.5864 per cent. per annum (the "**Fixed Coupon Rate**") PROVIDED THAT for the Coupon Period ending on the Coupon Payment Date in 2010 the Fixed Coupon Rate shall be applied in respect of the entire Coupon Period to the principal amount treated as outstanding on the Notes on such Coupon Payment Date before application of the pool factor referred to in Condition 1(c) notwithstanding that the principal amount shall have been reduced during such Coupon Period.

(d) ***Floating Coupon Rate***

From (and including) the First Reset Date, the Notes will bear interest at a floating rate of interest (the "**Floating Coupon Rate**"). The Floating Coupon Rate in respect of each Coupon Period commencing on or after the First Reset Date will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Coupon Determination Date, the Agent Bank will determine the offered rate (expressed as a rate per annum) for six-month pounds sterling deposits as at 11.00 a.m. (London time) on such Coupon Determination Date, as displayed on the display designated as Reuters Screen Page LIBOR01 (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Coupon Rate for the Coupon Period commencing on the Coupon Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal London office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the London inter bank market for six-month pounds sterling deposits as at 11.00 a.m. (London time) on the Coupon Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Coupon Rate for the Coupon Period commencing on the relevant Coupon Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Coupon Determination Date to which the provisions of subparagraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Coupon Rate for the Coupon Period commencing on such Coupon Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a

percentage point (0.000005 per cent. being rounded upwards)) of the pounds sterling lending rates which leading banks in London selected by the Agent Bank are quoting, on the relevant Coupon Determination Date, to leading banks in London for a period of six months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Coupon Rate for such Coupon Period shall be either (1) the Floating Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding subparagraphs of this Condition 5(d) shall have applied or (2) if none, 6.5864 per cent. per annum.

(e) ***Determination of Floating Coupon Rate and Calculation of Floating Coupon Amount***

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Coupon Determination Date, determine the Floating Coupon Rate in respect of the relevant Coupon Period and calculate the amount of interest payable in respect of each Note on the Coupon Payment Date for the relevant Coupon Period (the "**Floating Coupon Amount**") by applying the Floating Coupon Rate for such Coupon Period to the principal amount outstanding of a Note subject to Condition 1(c), multiplying such sum by the actual number of days in the Coupon Period concerned divided by 365 (or, in the case of a Coupon Payment Date falling in a leap year, 366) and, if necessary, rounding the resultant figure to the nearest £0.01 (£0.005 being rounded upwards).

(f) ***Publication of Floating Coupon Rate and Floating Coupon Amount***

The Issuer shall cause notice of the Floating Coupon Rate determined in accordance with this Condition 5 in respect of each relevant Coupon Period and of the Floating Coupon Amount and the relevant Coupon Payment Date to be given to the Trustee, the Paying Agents and, in accordance with Condition 15, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter. The Issuer shall cause notice of the same to be given to any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading on the relevant Coupon Determination Date.

The Floating Coupon Amounts, the Floating Coupon Rate and the Coupon Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Coupon Period or in the event of proven or manifest error.

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

The Trustee (or an agent appointed by it at the expense of the Issuer) shall, if the Agent Bank does not at any relevant time for any reason determine the Floating Coupon Rate on the Notes in accordance with this Condition 5, determine the Floating Coupon Rate in respect of the relevant Coupon Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedures described in this Condition 5), it shall deem fair and

reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

(h) ***Agent Bank***

So long as any Notes remain outstanding the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of 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 in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to Condition 5(g) above) fails duly to determine the Floating Coupon Rate in respect of any Coupon Period as provided in Condition 5(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London 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.

(i) ***Determinations of Agent Bank or Trustee Binding***

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

6. **Alternative Coupon Satisfaction Mechanism**

(a) ***The Alternative Coupon Satisfaction Mechanism***

Each ACSM Payment, when due to be satisfied in accordance with these Conditions, will (except as provided in Condition 8(d)) be satisfied by the Issuer in full only through the issue of Issuer Shares to the Trustee or its agent in accordance with this Condition 6. The Issuer shall notify the Holding Company, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant ACSM Payment Date that an ACSM Payment is to be satisfied on such ACSM Payment Date. All other Payments due must, subject to Conditions 2(b)(i) and 4, be satisfied in accordance with Condition 8(a).

(b) ***ACSM Payments***

If any ACSM Payment is to be satisfied through the issue of Issuer Shares to the Trustee or its agent as required by the provisions of this Condition 6 then, subject to Conditions 6(d) and 6(e):

- (i) by close of business on or before the 11<sup>th</sup> Business Day prior to the relevant ACSM Payment Date, the Issuer will issue to the Trustee (or, if notified in writing to the Issuer by the Trustee, to an agent of the Trustee) such number of Issuer Shares (the "**Payment Issuer Shares**") as, in the determination of the Calculation Agent, will have a market value (or, if higher, par value) as near as practicable to, but not less than, the aggregate of the relevant ACSM Payment and the Associated Costs to be satisfied in accordance with this Condition 6;
- (ii) (A) subject to receipt by the Trustee or its agent of the Payment Issuer Shares by close of business on or before the 11<sup>th</sup> Business Day prior to the relevant ACSM Payment Date, the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct its agent to transfer the Payment Issuer Shares to the Holding Company as soon as practicable and in any case by close of business on or before the 7<sup>th</sup> Business Day prior to the relevant ACSM Payment Date; (B) In consideration for the Payment Issuer Shares transferred pursuant to Condition 6(b)(ii)(A) above (unless Condition 6(b)(v) is applicable), the Holding Company will issue to the Trustee (or, if notified in writing to the Issuer by the Trustee, to an agent of the Trustee), by close of business on or before the 7<sup>th</sup> Business Day prior to the relevant ACSM Payment Date, Ordinary Shares (the "**Payment Ordinary Shares**") in such number as, in the determination of the Calculation Agent, have a market value as near as practicable to, but not less than, the aggregate of the relevant ACSM Payment and the Associated Costs to be satisfied in accordance with this Condition 6;
- (iii) subject to receipt by the Trustee (or its agent) of the Payment Ordinary Shares by close of business on or before the 7<sup>th</sup> Business Day prior to the relevant ACSM Payment Date the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the 6<sup>th</sup> Business Day prior to the relevant ACSM Payment Date and the Calculation Agent has agreed in the Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares (unless Condition 6(b)(v) is applicable). The Calculation Agent has further agreed in the Calculation Agency Agreement to deliver such proceeds of such sale to, or hold such proceeds of such sale to the order of, the Trustee, who shall pay or procure that its agent pays or instruct or procure that its agent instructs the Calculation Agent to pay such proceeds as it holds in respect of the relevant ACSM Payment on its due date to the

Principal Paying Agent for application in accordance with Condition 6(c).

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Issuer Shares and/or the Payment Ordinary Shares and/or Alternative Securities, in each case by or on behalf of the Trustee, or any delay or failure in effecting such transfer or sale of the Payment Issuer Shares and/or the Payment Ordinary Shares and/or Alternative Securities under these Conditions.

- (iv) If the proceeds of the sale of the Payment Ordinary Shares will not, in the opinion of the Calculation Agent (such opinion to be notified to the Issuer, the Holding Company and the Trustee), subject to Conditions 6(d) and 6(e) but despite the arrangements contained in (i) above, result in a sum at least equal to the aggregate of the relevant ACSM Payment and the Associated Costs being available to make the necessary ACSM Payment, together with the Associated Costs, in full on its due date (the amount by which such proceeds are less than the aggregate amount of the ACSM Payment and the Associated Costs being an "**ACSM Shortfall**"), the Issuer, the Holding Company, (to the extent expressly required of it under paragraphs (i), (ii) and (iii) of Condition 6(b) only) the Trustee and the Calculation Agent have agreed to take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Payment Issuer Shares and/or additional Payment Ordinary Shares and following, *mutatis mutandis*, the procedures contained in (i), (ii) and (iii) above, a sum as near as practicable to, and at least equal to, the aggregate of the relevant ACSM Payment and Associated Costs will be available to make the relevant ACSM Payment to or to the order of the Trustee, together with the Associated Costs, in full on its due date.
- (v) Not less than 16 Business Days prior to the relevant ACSM Payment Date the Holding Company may serve notice on the Trustee, the Principal Paying Agent and the Calculation Agent that instead of operating the other provisions of Condition 6(b), other than Condition 6(b)(i) and Condition 6(b)(ii)(A), in respect of the relevant ACSM Payment it will, instead of issuing Payment Ordinary Shares to the Trustee (or its agent) in accordance with Condition 6(b)(ii)(B), issue Alternative Securities to the Trustee or its agent. Subject to receipt by the Trustee (or its agent) of the Alternative Securities by the close of business on the 7<sup>th</sup> Business Day prior to the relevant ACSM Payment Date the Trustee has agreed to use reasonable endeavours to effect the transfer (or instruct its agent to effect the transfer) of such Alternative Securities to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the 6<sup>th</sup> Business Day prior to the relevant ACSM Payment Date and the Calculation Agent has agreed in the Calculation Agency Agreement to transfer or procure the transfer of such Alternative Securities to such purchasers as shall have been identified by the Issuer to the Calculation Agent in writing at a

total consideration equal to the amount of the ACSM Payment together with the Associated Costs.

The Calculation Agent has further agreed in the Calculation Agency Agreement to deliver such proceeds of such sales to or hold such proceeds of sale to the order of the Trustee, who shall pay or procure that its agent pays or instruct or procure that its agent instructs the Calculation Agent to pay such proceeds as it holds in respect of the relevant ACSM Payment and Associated Costs to the Principal Paying Agent on its due date for application in accordance with Condition 6(c).

(c) ***Issuer Satisfies Payment***

Where the Issuer makes an ACSM Payment in full or in part hereunder by issuing Issuer Shares to the Trustee (or, as the case may be, its agent) and issues such Issuer Shares, such issue shall satisfy the Issuer's obligations in respect of the relevant ACSM Payment or, as the case may be, in the circumstances referred to in Condition 6(d) below, the relevant part of such ACSM Payment, if made in accordance with this Condition 6. The proceeds of sale of Payment Ordinary Shares and/or Alternative Securities resulting from the mandatory exchange of Payment Issuer Shares in accordance with Condition 6 shall be paid by the Principal Paying Agent to the Noteholders in respect of the relevant ACSM Payment. For the avoidance of doubt no failure to make an ACSM Payment in full or in part under the terms of Condition 6 shall constitute a default on the part of the Issuer for any purpose (including without limitation for the purposes of Condition 9(a)) PROVIDED THAT the Issuer shall have issued the Issuer Shares to the Trustee or its agent in accordance with this Condition 6.

(d) ***Insufficiency***

The Issuer shall not be entitled to exercise its option pursuant to any of Conditions 7(b), 7(c), 7(d), 7(e) or 7(f) to redeem, substitute, purchase or vary any of the Notes until such time as the Issuer and the Holding Company has available for, and the directors of the Issuer and the Holding Company have the corresponding authority to, issue a sufficient number of, respectively, Issuer Shares or Ordinary Shares as is required to be issued in accordance with this Condition 6 for the purposes of satisfying in full in accordance with this Condition 6 any ACSM Payment required to be satisfied in connection with any such redemption, substitution or variation of the Notes.

(e) ***Market disruption***

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15<sup>th</sup> Business Day preceding any ACSM Payment Date, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant

ACSM Payment may be deferred until such time as the Market Disruption Event no longer exists.

Any such deferred ACSM Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred ACSM Payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant ACSM Payment and which is not made for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred ACSM Payment from (and including) the date on which the relevant ACSM Payment was due to be made to (but excluding) the date on which such ACSM Payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only in accordance with Condition 6, as soon as reasonably practicable after the relevant deferred ACSM Payment is made. No liability shall attach to the Trustee or its agent if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 6(b).

(f) ***Listing***

The Holding Company shall ensure (to the extent possible) that, at the time when any Payment Ordinary Shares and/or Alternative Securities are issued pursuant to this Condition 6, such Payment Ordinary Shares and/or Alternative Securities are listed and admitted for trading on a Recognised Stock Exchange.

7. **Redemption, Substitution, Variation or Purchase**

(a) ***No Fixed Redemption Date***

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 11) only have the right to repay, substitute, vary or purchase them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(d).

In addition, any redemption, substitution, variation or purchase of the Notes is:

- (i) subject to giving at least one months' prior written notice to, and receiving no objection from, the FSA (or such period of notice as the FSA may accept and so long as such notice is required to be given);
- (ii) (other than in the case of a Preference Share Substitution) subject to the Issuer being in compliance with the Capital Regulations applicable to it from time to time (and a certificate from any two Directors confirming such compliance shall be conclusive evidence of such compliance);
- (iii) conditional on all Deferred Coupon Payments (if any) and (in the case of Condition 7(e) only) Accrued Coupon Payments (if any) being



satisfied in full by the operation of the ACSM pursuant to Condition 6 and the Trust Deed on or prior to the date thereof; and

- (iv) in addition, in the case of the substitution for Substituted Preference Shares under Condition 7(e)(i), such substitution is conditional upon the Issuer (i) having created and maintained a sufficient number of authorised (but unissued) Substituted Preference Shares necessary to effect a Preference Share Substitution in accordance with Condition 7(e); and (ii) having obtained the corporate authorisation necessary to effect the substitution of the Notes for the Substituted Preference Shares.

(b) ***Issuer's Call Option***

Subject to Condition 7(a), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable) elect to redeem all, but not some only, of the Notes on the First Reset Date or any Coupon Payment Date thereafter at the Redemption Price together with any Outstanding Payments (such redemption amount to be payable in cash, save for any Deferred Coupon Payments which will be satisfied by operation of the ACSM pursuant to Condition 6).

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

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

- (i) as a result of a Tax Law Change, in making any payments on the Notes, the Issuer has paid, or will or would on the next payment date be required to pay, Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 15 November 2005 or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (iii) other than as a result of a Tax Law Change, in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (w) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United

Kingdom or such entitlement is materially reduced; (x) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 15 November 2005 or any similar system or systems having like effect as may from time to time exist); (y) the Issuer would otherwise suffer adverse tax consequences; or (z) the Issuer has paid, or would on the next date on which it is due to make a payment under those Conditions be required to pay, Additional Amounts on the Note pursuant to Condition 10, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then

- (aa) the Issuer may, subject to Condition 7(a) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time on or prior to the First Reset Date, all, but not some only, of the Notes (I) in the case of a Par Tax Event, at the Redemption Price and (II) in the case of an Other Tax Event, at the Make Whole Redemption Price, together, in each case, with any Outstanding Payments (all such amounts so payable being payable in cash, save for any Deferred Coupon Payments which will be satisfied by operation of the ACSM pursuant to Condition 6); or
- (bb) the Issuer may, subject to Condition 7(a) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (bb) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Coupon Payments (if any) will be satisfied by the operation of the ACSM pursuant to Condition 6. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, PROVIDED THAT the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which

the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that the relevant requirement or circumstance referred to in paragraphs (i), (ii) or (iii) above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Noteholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 7(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(d) ***Redemption, Substitution or Variation for Regulatory Purposes***

If, immediately prior to the giving of the notice referred to below, a Capital Disqualification Event has occurred and is continuing, then:

- (i) the Issuer may, subject to Condition 7(a) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions, at any time on or prior to the First Reset Date all, but not some only, of the Notes. The Notes will be redeemed at the Make Whole Redemption Price together with any Outstanding Payments (all such amounts so payable being payable in cash, save for any Deferred Coupon Payments which will be satisfied by operation of the ACSM pursuant to Condition 6); or
- (ii) the Issuer may, subject to Condition 7(a) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Coupon Payments (if any) will be satisfied by the operation of the ACSM pursuant to Condition 6. The Trustee shall use its reasonable endeavours to assist

the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, PROVIDED THAT the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7(d), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event, in which event it shall be conclusive and binding on the Noteholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 7(d), 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.

(e) ***Substitution for Substituted Preference Shares***

(i) At any time a Substitution Event has occurred and is continuing, the Issuer may (subject to Condition 7(a)) give not less than 30 nor more than 60 days' notice thereof and of its intention to effect a Preference Share Substitution (as defined below) ("**Substitution Notice**") to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), and shall on the expiry of such notice (the "**Substitution Date**") cause the substitution in accordance with this Condition of all (but not some only) of the Notes for fully paid non-cumulative preference shares issued directly by the Issuer (the "**Substituted Preference Shares**") (such substitution being referred to herein as a "**Preference Share Substitution**"). The terms of the Substituted Preference Shares shall provide that:

(x) the Substituted Preference Shares may only be redeemed on 25 April 2016 (being the same date as the First Reset Date of the Notes) or such later date (as determined by the Issuer and notified to the Trustee in writing) as may be required to enable the Substituted Preference Shares to qualify as Tier 1 Capital or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 7(d) and subject to the same conditions as those set out in the second paragraph of Condition 7(a));

(y) that the Issuer has the right to choose whether or not to pay any dividend; and

- (z) that any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the ACSM incorporated in the terms of the Substituted Preference Shares), and otherwise shall in all material commercial respects provide the holders thereof with at least the same economic rights and benefits (including those relating to non-cumulative (except as aforesaid) distributions and ranking) as are attached to the Notes and the Coupons taken together (such terms to be as reasonably determined by the Issuer, as conclusively evidenced by a certificate signed by two Directors to the effect that the terms of the Substituted Preference Shares comply with the foregoing which shall be delivered to the Trustee prior to the Issuer being able to effect such Preference Share Substitution).
- (ii) In connection with any Preference Share Substitution in accordance with this Condition 7(e), all Deferred Coupon Payments and Accrued Coupon Payments (if any) will be satisfied on the Substitution Date by the operation of the ACSM pursuant to Condition 6.
- (iii) The Issuer shall enclose with the Substitution Notice a substitution confirmation (the "**Substitution Confirmation**") which each Noteholder will be required to complete, and which shall require each Noteholder to provide to the Issuer such information as the Issuer may reasonably require to be able to effect a Preference Share Substitution in accordance with this Condition 7(e). The form of such Substitution Confirmation shall also be made available at the offices of each Paying Agent. To receive Substituted Preference Shares in respect of its holding of Notes, each Noteholder must deliver to a Paying Agent a duly completed Substitution Confirmation together with all relevant Notes held by it. Any such Preference Share Substitution shall be effected subject in each case to any applicable fiscal laws or other laws or regulations. Certificates (if any) for Substituted Preference Shares issued on a Preference Share Substitution will be despatched by or on behalf of the Issuer by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month of the later of the Substitution Date and receipt of a duly completed Substitution Confirmation. Noteholders will continue to be entitled to receive payments in respect of the Notes until the Substitution Date (PROVIDED THAT the Substituted Preference Shares are available for issue as aforesaid from the Substitution Date and the Issuer makes the payment referred to in Condition 7(e)(ii)) and thereafter Noteholders will have no further rights, title or interest in or to their Notes except to have them substituted in the manner described in this Condition 7(e). Each Substituted Preference Share allotted will rank for any dividend from the Substitution Date and will, without prejudice to Condition 7(e)(ii), have no entitlement to any Accrued Coupon Payment or any other payment on the Notes.
- (iv) The Issuer will pay any taxes or capital duties or stamp duties payable in the United Kingdom arising on the allotment and issue of the

Substituted Preference Shares. The Issuer will not be obliged to pay, and each Noteholder delivering Notes and a duly completed Substitution Confirmation to a Paying Agent must pay (directly to the relevant authority, or as directed by the Issuer) any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant Preference Share Substitution. The Issuer will not be obliged to pay, and each Noteholder must pay, all, if any, taxes arising by reference to any disposal or deemed disposal of a Note in connection with such Preference Share Substitution. Substituted Preference Shares will not be allotted to Restricted Persons.

- (v) Prior to the publication of a Substitution Notice, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Substitution Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence and continuation of such Substitution Event in which event it shall be conclusive and binding on the Noteholders.
- (vi) The Issuer undertakes to use all reasonable endeavours (PROVIDED THAT the Issuer has given the Substitution Notice) to obtain and maintain a listing of the Substituted Preference Shares on a Recognised Stock Exchange.
- (vii) In connection with any Preference Share Substitution in accordance with this Condition 7(e), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.
- (viii) The provisions of this Condition 7(e) (except for Condition 7(e)(ii) as regards satisfaction of Accrued Coupon Payments (if any)) will apply *mutatis mutandis* to Conditions 7(c) and 7(d) in the event that the Qualifying Tier 1 Securities for which the Notes may be substituted in accordance with either of Conditions 7(c) or 7(d) comprise Substituted Preference Shares.

(f) ***Purchases***

The Issuer or any Subsidiary may, subject to Condition 2(b)(i), at any time purchase Notes in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

(g) ***Cancellation***

All Notes so redeemed or substituted by the Issuer and any unmatured Coupons and Talons appertaining thereto will be cancelled and may not be reissued or resold. Notes purchased by the Issuer or any Subsidiary may not be held, reissued or resold and, accordingly, will forthwith be surrendered to any Paying Agent for cancellation.

(h) ***Trustee not Obligated to Monitor***

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 or whether a Suspension under Condition 8(d) has occurred 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 actual knowledge of the occurrence of any event or circumstance within this Condition 7 or the occurrence of a Suspension under Condition 8(d), it shall be entitled to assume that no such event or circumstance exists.

8. **Payments**

(a) ***Method of Payment***

(i) Payments of principal, premium and Coupon Amounts will be made by or on behalf of the Issuer against presentation and surrender of Notes or the appropriate Coupons at the specified office of any of the Paying Agents except that payments of Coupon Amounts in respect of any period not ending on a Coupon Payment Date will only be made upon surrender of the relevant Notes. Such payments will be made (subject to Condition 8(a)(ii) below), at the option of the payee, by pounds sterling cheque drawn on, or by transfer to a pounds sterling account maintained by the payee with, a bank in London.

(ii) Upon the due date for redemption of any Notes, any unexchanged Talon relating to such Notes (whether or not attached) shall become void and no Coupons shall be delivered in respect of such Talon and unmatured Coupons relating to such Notes (whether or not attached) shall also become void and no payment shall be made in respect of them. If any Note is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Notes, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

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

Without prejudice to the terms of Condition 10, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Payments on Business Days***

If the date for payment of any amount in respect of any Note or Coupon, or any later date on which any Note or Coupon is presented for payment, is not a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 8(c), "**business day**" means any day (not being a Saturday, Sunday or a public holiday) on which commercial banks and foreign exchange markets which settle payments in sterling are open in London and in the relevant place of payment.

(d) ***Suspension***

In the event of any Permitted Restructuring or any other take-over offer, acquisition, disposal, reorganisation, restructuring, scheme of arrangement or merger as a result of which the holding company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner (the "**Event**"), then the Issuer shall as soon as practicable give notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders, whereupon the operation of the ACSM shall be suspended (such event being a "**Suspension**"). In such event, unless a Permitted Restructuring Arrangement shall be put in place within six months of the occurrence of the Event (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee shall determine, subject to the requirements that:

- (i) the Issuer shall not be obliged to reduce its net assets;
- (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for insurance regulatory capital and solvency purposes without giving at least one month's prior written notice to, and receiving no objection from, the FSA (or such period of notice as the FSA may accept and so long as such notice is required to be given); and
- (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent,

which amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order to (aa) preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (bb) to replicate the ACSM and the Dividend and Capital Restriction in the context of the capital structure of the Issuer and the new Ultimate Owner.

Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the Noteholders or Couponholders, effect any necessary



consequential changes to these Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy an ACSM Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension. Without prejudice to Condition 8(d)(iii), the Trustee shall accept without investigation, requisition or objection such determination and the necessary consequential changes, subject to Condition 8(d)(iii) above, notified to it by such investment bank and need not examine or enquire into or be liable for any omission, inaccuracy or misinformation therein contained whether such omission, inaccuracy or misinformation might have been discovered upon examination or enquiry.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the previous Ultimate Owner if not the Holding Company, the new Ultimate Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and the Notes shall (subject in each case to giving at least one month's prior written notice to, and receiving no objection from, the FSA (or such period of notice as the FSA may accept and so long as such notice is required to be given) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer either be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or shall be redeemed, in each case as described below.

If, following a Suspension, the Notes are to be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable) and all (but not some only) of the Notes will be substituted for, or the terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant investment bank referred to above) agree to such substitution or variation. In connection therewith, all Deferred Coupon Payments (if any) will either (at the option of the Issuer) (x) be carried over such that the rights thereto are preserved for the purposes of the Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or (y) be satisfied (unless otherwise agreed by the Issuer and the Trustee) by the issue of Issuer Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay the amount of such Deferred Coupon Payments in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c), 6(d) and 6(e) (with references to the Payment Ordinary Shares and/or Alternative Securities being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the amount of such Deferred Coupon Payments so payable by the Issuer). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the

Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, PROVIDED THAT the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, elect to redeem the Notes as provided in this Condition 8(d).

In connection with any substitution or variation in accordance with this Condition 8(d), 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.

If, following a Suspension, the Notes are to be redeemed by the Issuer, the Issuer shall give notice thereof to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable and which shall expire as soon as practicable after confirmation of no objection from the FSA) and all (but not some only) of the Notes will be redeemed at (in the case of any redemption prior to the First Reset Date) the Make Whole Redemption Price or (on or after the First Reset Date) the Redemption Price, together in each case with any Outstanding Payments, not later than the 60<sup>th</sup> Business Day following the giving of such notice by the Issuer to the Noteholders.

Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay such redemption amount in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c), 6(d) and 6(e) (with references to the Payment Ordinary Shares and/or Alternative Securities being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the redemption amount so payable by the Issuer).

## 9. **Non-Payment when Due**

*Notwithstanding any of the provisions below in Condition 9, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b) no principal, premium interest or any other amount will be due on the relevant Payment Date if the Issuer would not be solvent. Also, in the case of any Coupon Payment, such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(e) or 8(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

- (a) If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal and/or premium) for a period of seven days or more after the due date for the same or (in the case of any Coupon Amount, Deferred

Coupon Payment, Accrued Coupon Payment or any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee may, notwithstanding the provisions of Condition 9(b) institute proceedings for the winding-up of the Issuer and/or prove in any such winding-up.

- (b) Without prejudice to Condition 9(a) and subject as provided in Condition 18, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer or the Holding Company (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Holding Company under the Trust Deed, the Notes or the Coupons (other than for the payment by the Issuer of any principal or premium or satisfaction of any Payments in respect of the Notes or the Coupons, including any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall and any other amounts under or arising from the Notes) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in Condition 9(a) or (b) above against the Issuer and/or the Holding Company to enforce the terms of the Trust Deed, the Notes or the Coupons or any other action under or pursuant to these Conditions or the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (d) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Holding Company or to institute proceedings for the winding-up of the Issuer and/or the Holding Company or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer and/or the Holding Company as those which the Trustee is entitled to exercise.
- (e) No remedy against the Issuer or the Holding Company, other than as referred to in this Condition 9, shall be available to the Trustee or any Noteholder or Couponholder whether for the recovery of amounts owing in respect of the Notes, Coupons or under the Trust Deed or in respect of any breach by the Issuer or the Holding Company of any of its other obligations under or in respect of the Notes, Coupons or under the Trust Deed.

## 10. **Taxation**

All payments by the Issuer of principal, premium, Coupon Amounts, Deferred Coupon Payments, Accrued Coupon Payments and Solvency Claims in respect of the Notes will be made without withholding of or deduction for, or on any account of, any

present or future United Kingdom taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts receivable by Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of a requirement to make such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Notes or Coupons:

- (a) to, or to a third party on behalf of, a Noteholder or Couponholder who (i) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or similar claim for exemption but fails to do so, or (ii) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than a mere holding of such Note or Coupon;
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (c) presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium, Coupon Amounts, Deferred Coupon Payments, Accrued Coupon Payments and/or Solvency Claims, shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 11. **Prescription**

Notes and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon

sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Conditions or other provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal, any applicable premium or Coupon Payments in respect of the Notes and reducing or cancelling the principal amount of any Notes, any applicable premium or the Coupon Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 7(c), 7(d) and 8(d) in connection with the substitution or variation of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 7(c), 7(d) or 8(d), as the case may be.

An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree (subject to the Trust Deed), without the consent of the Noteholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any other provisions of the Trust Deed, the Paying Agency Agreement or the Calculation Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error. No modification or waiver to these Conditions or any other provisions of the Trust Deed or substitution as described below shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such period of notice as the FSA may accept and so long as there is a requirement to give such notice).

The Trustee may agree with the Issuer and the Holding Company, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in

any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons PROVIDED THAT:

- (a) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (b) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (c) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (d) (without prejudice to the rights of reliance of the Trustee under Condition 12(c)) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (e) (without prejudice to the generality of Condition 12(a)) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, PROVIDED THAT such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (f) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 10 with the substitution for the references in that Condition to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Note, the Coupons and the Talons, will be read accordingly; and

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

In connection with any proposed substitution as aforesaid and in connection with the exercise of its powers, authorities, rights and discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 10 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

**13. Replacement of the Notes, Coupons and Talons**

Should any Notes, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Paying Agent (or any other place of which notice shall have been given in accordance with Condition 15) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

**14. The Trustee**

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

**15. Notices**

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

16. **Further Issues**

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

17. **Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents or (as the case may be) another Calculation Agent, PROVIDED THAT it will:

- (a) at all times maintain an Agent Bank, a Calculation Agent, a Principal Paying Agent and a Paying Agent having a specified office in London (which may be the same as the Principal Paying Agent);
- (b) for so long as the Notes are admitted to trading on any stock exchange and the rules of that stock exchange so require, a Paying Agent having a specified office in whichever location is required to maintain such admission to trading; and
- (c) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 10 upon presentation of the Note or Coupon, as the case may be, for payment in the United Kingdom, maintain a Paying Agent having a specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to such Directive and which is approved by the Trustee,

PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State to so withhold or deduct tax.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 15. If any of the Agent Bank, Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions, the Calculation Agency Agreement or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent



investment bank acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Calculation Agent or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders.

None of the Issuer, the Trustee, the Agent Bank and the Paying Agents, nor any independent investment bank appointed pursuant to the above paragraph in their stead, shall have any responsibility to any person for any errors or omissions in any calculation, or any transfer or sale of Payment Issuer Shares and/or Payment Ordinary Shares and/or Alternative Securities made pursuant to Condition 6 or otherwise, by the Calculation Agent.

The Trustee shall have no responsibility for maintaining the appointment of a Calculation Agent and if, for whatever reason there shall cease to be a Calculation Agent appointed, the Trustee, without liability to any person, shall not be responsible or obliged to find or appoint a Successor Calculation Agent and shall in no circumstances have any responsibility or obligation to perform any of the functions or duties imposed on the Calculation Agent under the Calculation Agency Agreement, the Trust Deed or the Conditions.

18. **Pre-emption**

The Issuer shall, in accordance with the requirements of the Companies Act, keep available for issue and use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take other corporate actions required for the issue and allotment of such amount of share capital as it reasonably considers would be required to be issued in order to enable the Issuer to make a payment satisfying the aggregate amount of Deferred Coupon Payments (if any) and, prior to the First Reset Date, the aggregate of Coupon Payments due on the next Coupon Payment Date and, after the First Reset Date, on the next two Coupon Payment Dates.

The Holding Company shall, at all times, keep available for issue and use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take other corporate actions required for the issue and allotment of such share capital as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 in connection with the aggregate amount of Deferred Coupon Payments (if any) and, prior to the First Reset Date, the aggregate of Coupon Payments due on the next Coupon Payment Date and, after the First Reset Date, on the next two Coupon Payment Dates.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer or the Holding Company of this Condition 18, the Trustee may only require the Issuer or the Holding Company, as the case may be, as soon as is reasonably practicable, to put appropriate resolution(s) before shareholder(s) of the Issuer or the Holding Company, as the case may be, whether in general meeting or in writing, in order to remedy and/or ratify such breach to the extent legally possible.

The Trustee shall not be obliged to monitor compliance by the Issuer and/or the Holding Company with this Condition and shall be entitled to assume, unless it has

actual knowledge to the contrary, that each of the Issuer and the Holding Company is complying with its obligations under this Condition.

For the avoidance of doubt, any shares which the Issuer or the Holding Company, as the case may be, is required to keep available for issue other than in connection with the Notes shall be disregarded in determining whether the Issuer and the Holding Company are complying with their obligations under this Condition 18.

19. **Governing Law**

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

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

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

21. **Definitions**

In these Conditions:

**"2009 Deferred Coupon Payment"** means the Coupon Payment due 25 April 2009 payment of which was deferred by the Issuer in accordance with these Conditions;

**"Accrued Coupon Payment"** means, as at any time, where these Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Note, the amount of interest accrued thereon in accordance with Condition 5 or 6(e);

**"ACSM"** or **"Alternative Coupon Satisfaction Mechanism"** means the mechanism described in Condition 6(a);

**"ACSM Payment"** means any Deferred Coupon Payment and/or any Substitution Accrued Amount and/or any Accrued Coupon Payment;

**"ACSM Payment Date"** means the date on which an ACSM Payment is to be satisfied pursuant to these Conditions;

**"Additional Amounts"** has the meaning given to it in Condition 10;

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

**"Alternative Coupon Satisfaction Mechanism"** or **"ACSM"** means the mechanism described in Condition 6(a);

**"Alternative Securities"** means the Payment Ordinary Shares or any other shares or securities issued by the Holding Company which qualify as Tier 1 Capital at the relevant time;

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

"**Associated Costs**" means any taxes and costs payable in connection with the issue or transfer of any Payment Issuer Shares or Payment Ordinary Shares, as further set out in the Calculation Agency Agreement;

"**Balancing Instrument**" means the debt instrument issued by the Issuer to the Holding Company following the passing of the Extraordinary Resolution by Noteholders on 22 April 2010 which is expressed to rank subordinated to the Notes;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

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

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

"**Capital Disqualification Event**" is deemed to have occurred:

if the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as capital resources satisfying the Regulatory Capital Requirements (if any) applicable to the Issuer or the Supervised Group as a result of any change to the Capital Regulations or the application or official interpretation thereof at any time; or

if, at any time the Issuer or the Supervised Group is required to have Tier 1 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo basis (if applicable) or of the Supervised Group on a consolidated basis; or

if at any time the Issuer or the Supervised Group is required to have Tier 1 Capital and the Issuer would be entitled pursuant to Condition 7(e) to substitute the Notes by Substituted Ordinary Shares, such Substituted Ordinary Shares would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo basis (if applicable) or of the Supervised Group on a consolidated basis;

"**Capital Regulations**" means the rules and regulations of any Relevant Supervisory Authority that require the Issuer, the Supervised Group or any of the EEA Regulated Subsidiaries to meet a Regulatory Capital Requirement;

"**Companies Act**" means the Companies Act 2006 (as amended);

"**Conditions**" means these terms and conditions of the Notes, as amended from time to time;

"**Coupon**" has the meaning given to it in the preamble to these Conditions;

**"Coupon Amount"** means, in respect of a Coupon, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Coupon Period in accordance with Condition 5 and includes Floating Coupon Amounts;

**"Coupon Determination Date"** means, in relation to each Reset Date, the first Business Day of the relevant Coupon Period;

**"Couponholder"** has the meaning given to it in the preamble to these Conditions;

**"Coupon Payment"** means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

**"Coupon Payment Date"** means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 25 April in each year, starting on 25 April 2006 and (ii) after the First Reset Date, 25 April and 25 October in each year, starting on 25 October, 2016, PROVIDED THAT if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding Business Day;

**"Coupon Period"** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

**"Coupon Rate"** means the Fixed Coupon Rate and/or the Floating Coupon Rate, as the case may be;

**"Deferred Coupon Payment"** means (i) any Coupon Payment which, pursuant to Condition 4, the Issuer has elected to defer and which has not been satisfied and (ii) any Coupon Payment which, by reason of the condition to payment set out in Condition 2(b)(i), has not been satisfied;

**"Directors"** means directors of the Issuer;

**"Dividend and Capital Restriction"** means that:

neither the Issuer nor the Ultimate Owner may declare, pay or distribute a dividend or make a payment on any of its Junior Share Capital, any Parity Securities or, in the case of the Issuer, the Balancing Instrument; and

neither the Issuer nor the Ultimate Owner may redeem, purchase or otherwise acquire any of its Junior Share Capital or redeem, purchase or otherwise acquire any Parity Securities or in the case of the Issuer redeem the Balancing Instrument (save where those shares or securities being redeemed, purchased or acquired are replaced contemporaneously by an issue of shares or securities of the same aggregate principal amount and the same ranking on a return of assets on a winding-up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or securities being redeemed, purchased or acquired),

PROVIDED THAT neither paragraph (a) nor paragraph (b) above shall apply with respect to any payments made between any member of the Group including, without limitation, payments under, in relation to, or arising from, any shares, indebtedness or any other securities and further provided that the Ultimate Owner may declare, pay or distribute a dividend to its shareholders at any time in 2010 but after 22 April 2010 in an amount not to exceed £60,000,000;

**"EEA Regulated Subsidiary"** means any entity engaged in the insurance business and regulated as such by a member state of the European Economic Area in which the Holding Company, directly or indirectly holds 20 per cent. or more of the voting rights or capital;

**"Eligible Company"** means a company incorporated in a country which is a member of the Organisation for Economic Cooperation and Development whose ordinary shares are listed (i) on the official list of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the regulated market of the London Stock Exchange; or (ii) on such other internationally recognised stock exchange as the Trustee may approve;

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

**"Extraordinary Resolution"** has the meaning set out in Schedule 3 of the Trust Deed;

**"Financial Services Authority"** or **"FSA"** means the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary insurance supervisory authority with respect to the Group;

**"First Reset Date"** means 25 April 2016;

**"Fixed Coupon Rate"** has the meaning given to it in Condition 5(c);

**"Fixed Rate Coupon Period"** means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

**"Floating Coupon Amounts"** has the meaning given to it in Condition 5(e);

**"Floating Coupon Rate"** has the meaning given to it in Condition 5(d);

**"Group"** means the Phoenix group of companies;

**"Gross Redemption Yield"** means, with respect to a security, the gross redemption yield on such security (as calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) on an annual compounding basis (and rounded up (if necessary) to four decimal places);

**"holding company"** has the meaning given to it under Section 1159 of the Companies Act 2006;

**"Holding Company "** means Phoenix Group Holdings;

**"interest"** shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments and Accrued Coupon Payments;

**"Issue Date"** means 17 November 2005, being the date of initial issue of the Notes;

**"Issuer"** means Pearl Group Holdings (No. 1) Limited (registered number 03524909);

**"Issuer Shares"** means ordinary shares of the Issuer;

**"Issuer's Territory"** has the meaning given to it in Condition 12(f);

**"Junior Share Capital"** means the ordinary shares of each of the Issuer and the Holding Company respectively, together with any other securities of any member of the Group ranking or expressed to rank junior to the Notes, (either issued directly by the Issuer or the Holding Company as the case may be or, in each case, by a subsidiary undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank junior to the Notes);

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

**"London Stock Exchange"** means the London Stock Exchange plc;

**"Make Whole Redemption Price"** means, in respect of each Note, (a) the principal amount of such Note or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the Note on the Reference Date (assuming for this purpose that the Notes are to be redeemed at their principal amount on the First Reset Date) is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Reference Date of the Reference Bond plus 0.75 per cent., all as determined by the Calculation Agent;

**"Margin"** means 2.73 per cent.;

**"Market Disruption"** means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by any stock exchange on which the Ordinary Shares are for the time being listed) or on settlement procedures for transactions in the Ordinary Shares on any stock exchange on which the Ordinary Shares are for the time being listed, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Shares; or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Shares, as the case may be;

**"New Holding Company"** means an Eligible Company that becomes the ultimate holding company for the Group following a Permitted Restructuring;

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

**"Noteholder"** has the meaning given to it in the preamble to these Conditions;

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

**"Notional Preference Shares"** has the meaning given to it in Condition 3;

**"Ordinary Shares"** means ordinary shares of the Holding Company;

**"Other Tax Event"** means an event of the type described in Condition 7(c)(iii);

**"Outstanding"**, in relation to any Coupon Payment, Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(1) or the deferral, postponement or suspension of such payment in accordance with any of Condition 4, 6(e) or 8(d); and (b) in any such case has not been satisfied and, in respect of any Accrued Coupon Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

**"Parity Securities"** means (i) the most senior ranking class or classes of non-cumulative preference shares in the capital of the Issuer, or the Holding Company, as the case may be from time to time; (ii) any other securities ranking or expressed to rank *pari passu* with the Notes; and (iii) such non-cumulative preference shares or other securities or obligations whether issued directly by the Issuer or the Holding Company as the case may be or, in each case, by a subsidiary undertaking and benefiting from a guarantee or support agreement ranking, or expressed to rank, *pari passu* with the Notes;

**"Par Tax Event"** means an event of the type described in Condition 7(c)(i) and (ii);

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

**"Paying Agents"** has the meaning given to it in the preamble to these Conditions;

**"Payment"** means any Coupon Payment, Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

**"Payment Issuer Shares"** has the meaning given to it in Condition 6(b)(i);

**"Payment Ordinary Shares"** has the meaning given to it in Condition 6(b)(ii);

**"Permitted Restructuring"** means the completion of (i) an offer made by or on behalf of, an Eligible Company to all (or as nearly as may be practicable to all) of the shareholders of the Ultimate Owner to acquire the whole (or as nearly as may be

practicable to the whole) of the issued ordinary share capital of the Ultimate Owner other than those ordinary shares already held by or on behalf of such Eligible Company or (ii) a reorganisation or restructuring, whether by way of a scheme of arrangement or otherwise, pursuant to which an Eligible Company acquires all (or as nearly as may be practicable to all) of the issued ordinary share capital of the Ultimate Owner not held by or on behalf of such Eligible Company or (iii) the Ultimate Owner is merged into an Eligible Company in consideration for the issue of shares in such Eligible Company to the existing shareholders of the Ultimate Owner or (iv) a reorganisation, restructuring, registration by way of continuation or procedure having equivalent effect, whether by court order or otherwise, pursuant to which the domicile of the Ultimate Owner transfers from its current domicile of incorporation, from time to time, to a domicile of incorporation in a country which is a member of the Organisation for Economic Cooperation and Development;

**"Permitted Restructuring Arrangement"** means an arrangement whereby the following condition is satisfied: the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed, the Paying Agency Agreement and the Calculation Agency Agreement operate so that the Ordinary Shares may be exchanged for New Holding Company Shares in such a manner that ensures that upon sale of such New Holding Company Shares the holder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such Permitted Restructuring not taken place, which shall have been certified by two directors of each of the Issuer and Phoenix Group Holdings, which certificate shall be conclusive and binding on all parties and the Noteholders;

**"person"** means any firm, body corporate, unincorporated association, partnership, individual or any individual's executors or administrators;

**"Preference Share Substitution"** has the meaning given to it in Condition 7(e);

**"Principal Paying Agent"** has the meaning given to it in the preamble to these Conditions;

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

have terms not materially less favourable to an investor (as reasonably determined by the Issuer, and as conclusively evidenced by a certificate to such effect signed by two Directors delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes, PROVIDED THAT they shall include a ranking at least equal to that of the Notes and the same Coupon Rate from time to time as that applying to the Notes but not necessarily having provisions analogous to the provisions of Condition 6, and further PROVIDED THAT they shall comply with the then current requirements of the FSA in relation to Tier 1 Capital and shall preserve any existing rights under these Conditions to any Accrued Coupon Payment which has not been paid; and



are admitted to trading on a market of the London Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

**"Qualifying Upper Tier 2 Securities"** means securities issued directly or indirectly by the Issuer that:

have terms not materially less favourable to an investor (as reasonably determined by the Issuer, and as conclusively evidenced by a certificate to such effect signed by two Directors delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes PROVIDED THAT (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital, (2) they have the same Coupon Rate from time to time as that applying to the Notes but PROVIDED THAT such securities need not include provisions analogous to the provisions of Condition 6 and (3) such securities preserve any existing rights under these Conditions to any Accrued Coupon Payment which has not been paid; and

are admitted to trading on a market of the London Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

**"Recognised Stock Exchange"** means a recognised stock exchange as defined in section 841 of the Income and Corporation Taxes Act 1988 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

**"Redemption Price"** means, in respect of each Note, its principal amount;

**"Reference Banks"** means four major banks in the interbank market in London as selected by the Agent Bank;

**"Reference Bond"** means the 4.75 per cent. Treasury Stock due 7 September 2015, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the First Reset Date, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate;

**"Reference Date"** means the date which is three dealing days prior to the date fixed for redemption pursuant to Conditions 7(c) or 7(d) by the Issuer;

**"Reference Market Makers"** means three brokers or market makers of gilts selected by the Calculation Agent in consultation with the Issuer and approved for this purpose by the Trustee or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Issuer and approved for this purpose by the Trustee;

**"Regulatory Capital Requirements"** means any applicable minimum or notional margin of solvency or minimum capital or capital requirement specified for insurance companies, insurance holding companies or insurance groups by any Relevant Supervisory Authority;

**"Related Party"** means any person who has an interest (as such term is understood for the purposes of sections 820 to 823, inclusive, of the Companies Act 2006) in the Issuer, irrespective of whether the Issuer is a public or private company and who, if that person acquires one or a number of Payment Issuer Shares or Payment Ordinary Shares, could not cause the Issuer to cease to be a member of the same group as Phoenix Group Holdings (previously Pearl Group) for the purposes of group relief under Chapter IV of Part X of the Income and Corporation Taxes Act 1988;

**"Relevant Date"** means (i) in respect of any payment other than a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the **"Relevant Date"** means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 15, and (ii) in respect of a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, the date which is one day prior to the commencement of the winding-up;

**"Relevant Supervisory Authority"** means any regulator (including, without limitation, the FSA) having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries from time to time;

**"Reset Date"** means the First Reset Date and each Coupon Payment Date thereafter;

**"Restricted Person"** means a person to whom Substitute Preference Shares will not be available for issue being (a) Euroclear, Clearstream, Luxembourg, First Chicago Clearing Center or any other person providing a clearance service within section 96 of the Finance Act 1986 of the United Kingdom or any nominee thereof or (b) a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within section 93 of the Finance Act 1986 of the United Kingdom or (c) any other person the issue to whom would give rise to an equivalent charge to stamp duty reserve tax in 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;

**"Senior Creditors"** means:

creditors of the Issuer who are unsubordinated creditors of the Issuer;

creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of Noteholders);

creditors of the Issuer whose claims are in respect of the Issuer's outstanding debt securities which constitute Tier 2 Capital or guarantees or support agreements ranking, or expressed to rank, *pari passu* with such securities (and such other securities outstanding from time to time which rank *pari passu* with, or senior to, any of such Tier 2 Capital); and

holders of cumulative preference shares of the Issuer;

"**Solvency Claim**" has the meaning given to it in Condition 2(b)(ii);

"**Subsidiary**" means each subsidiary for the time being of the Issuer;

"**subsidiary**" has the meaning given to subsidiary undertakings under section 1159 of the Companies Act 2006;

"**Substitute Obligor**" has the meaning given to it in Condition 12;

"**Substitution Notice**" has the meaning given in Condition 7(e)(i);

"**Substituted Preference Shares**" has the meaning given to it in Condition 7(e)(i);

"**Substituted Territory**" has the meaning given to it in Condition 12(f);

"**Substitution Accrued Amount**" means any Accrued Coupon Payment which is to be satisfied on substitution of the Notes for Substituted Preference Shares in accordance with Condition 7(e)(ii);

"**Substitution Date**" has the meaning given to it in Condition 7(e)(i);

"**Substitution Event**" means the occurrence of any of the following:

a breach by the Issuer or the Supervised Group or any member of the Supervised Group of the Capital Regulations;

a notification by any Relevant Supervisory Authority to the Issuer or to any member of the Supervised Group that such Relevant Supervisory Authority has determined that there would be a breach by the Issuer or the Supervised Group or any member of the Supervised Group of the Capital Regulations in the near term; or

a determination by the board of Directors of the Issuer or the board of directors of any member of the Supervised Group that there would be a breach by the Issuer or the Supervised Group or any member of the Supervised Group of the Capital Regulations in the near term;

"**Successor**" means, in relation to the Calculation Agent, such other or further person as may from time to time be appointed by the Issuer as the Calculation Agent (with the prior approval of, and on terms previously approved by, the Trustee in writing (such approval not to be unreasonably withheld)) and notice of whose appointment is given to Noteholders pursuant to sub-clause 7.1.12 of the Trust Deed;

"**Supervised Group**" means the Issuer and the EEA Regulated Subsidiaries;

"**Suspension**" has the meaning given to it in Condition 8(d);

"**Talon**" has the meaning given to it in the preamble to these Conditions;

"**Tax Law Change**" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including

any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective on or after 15 November 2005;

"**Tier 1 Capital**" and "**Tier 2 Capital**" have the respective meanings given to them from time to time by the FSA;

"**Treaty**" means the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended;

"**Trust Deed**" has the meaning given to it in the preamble to these Conditions;

"**Trustee**" has the meaning given to it in the preamble to these Conditions;

"**Ultimate Owner**" means, at any given time, the ultimate holding company of the Group and for the avoidance of doubt as at the date hereof means Phoenix Group Holdings (previously Pearl Group);

"**Upper Tier 2 Capital**" has the meaning given to it by the FSA from time to time; and

"**Upper Tier 2 Securities**" means the Issuer's outstanding debt securities which constitute Upper Tier 2 Capital and such other securities outstanding from time to time which rank *pari passu* with such securities or guarantees or support agreements ranking, or expressed to rank, *pari passu* with such securities.

On the back:

**PRINCIPAL PAYING AGENT**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

and/or such former Paying Agents and/or specified offices as may from time to time be duly appointed by the Issuer with the approval of the Trustee and notified to the Noteholders.

## FORM OF COUPON

On the front:

**Pearl Group Holdings (No. 1) Limited**  
(formerly Resolution plc)

**(incorporated in England with limited liability)**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

Note in the principal amount of £[•]<sup>2</sup>

[Coupon for £[•] due on [•]]/

[Coupon for the amount due on the Coupon Payment Date falling in [•], in accordance with the Conditions]

This Coupon is payable to bearer (subject to the Conditions endorsed on the Note to which this Coupon appertains, which shall be binding upon the holder of this Coupon whether or not it is for the time being attached to such Note) at the specified offices of the Paying Agents set out on the reverse hereof (or of any other or further Paying Agents duly appointed and notified to the Noteholders). The amount of interest payable in respect of any Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest £0.01.

If the Note to which this Coupon appertains shall have become due and payable before the maturity date of this Coupon, this Coupon shall become void and no payment shall be made in respect of it.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

<b>Cp No.</b>	<b>Denomination</b>	<b>ISIN</b>	<b>Series</b>	<b>Certif. No.</b>
	50,000	XS0235245205		

*Payments due hereunder are subject to the pool factor referred to in Condition 1(c).*

---

<sup>2</sup> Issued in the denomination of £50,000 and integral multiples of £1,000 thereafter up to and including £99,000.

On the back:

**PRINCIPAL PAYING AGENT**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

and/or such former Paying Agents and/or specified offices as may from time to time be duly appointed by the Issuer with the approval of the Trustee and notified to the Noteholders.

## FORM OF TALON

On the front:

**Pearl Group Holdings (No. 1) Limited**  
(formerly Resolution plc)

**(incorporated in England with limited liability)**

**£500,000,000**

### **6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

After all the Coupons appertaining to the Note to which this Talon is attached have matured, further Coupons and a further Talon appertaining to the Note to which this Talon appertains will be issued at the offices of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon presentation and surrender of this Talon.

If the Note to which this Talon relates shall have become due and payable before the original due date for exchange of this Talon, this Talon shall become void and no exchange shall be made in respect of it.

<b>Cp No.</b>	<b>Denomination</b>	<b>ISIN</b>	<b>Series</b>	<b>Certif. No.</b>
	[•] <sup>3</sup>	XS0235245205		

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

*Payments due hereunder are subject to the pool factor referred to in Condition 1(c).*

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<sup>3</sup> Issued in the denomination of £50,000 and integral multiples of £1,000 thereafter up to and including £99,000.



On the back:

**PRINCIPAL PAYING AGENT**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

and/or such former Paying Agents and/or specified offices as may from time to time be duly appointed by the Issuer with the approval of the Trustee and notified to the Noteholders.

**SCHEDULE 2**

**PART 1  
FORM OF TEMPORARY GLOBAL NOTE**

ISIN: XS0235245205

**Resolution plc**

**(incorporated in England with limited liability)**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

**Temporary Global Note**

This is to certify that the bearer is entitled to the sum of

**FIVE HUNDRED MILLION POUNDS STERLING (£500,000,000)**

(together with any applicable premium) on such date as such sum may become payable in accordance with the Trust Deed (as defined below) and with the terms and conditions (the "**Conditions**") of the Notes designated above (the "**Notes**") set out in Schedule 1 to the trust deed dated 17 November 2005 (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") between Resolution plc (the "**Issuer**") and HSBC Trustee (C.I.) Limited as trustee upon presentation and surrender of this Temporary Global Note and to interest on such principal sum at the rates and on the dates provided for in the Conditions and such other amounts as may be payable under the Conditions, all subject to and in accordance with the Conditions and the Trust Deed.

On or after 28 December 2005 (the "**Exchange Date**") this Temporary Global Note may be exchanged in whole or part (free of charge to the holder) by its presentation and, on exchange in full, surrender to or to the order of the Principal Paying Agent for interests in a permanent global Note (the "**Permanent Global Note**") in bearer form in an aggregate principal amount equal to the principal amount of this Temporary Global Note submitted for exchange with respect to which there shall be presented to the Principal Paying Agent a certificate dated no earlier than the Exchange Date from Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") substantially to the following effect:

**"CERTIFICATE**

**Resolution plc**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

**Common Code 023524520 ISIN XS0235245205 (the "Notes")**

This is to certify that, based solely on certificates we have received in writing, by tested telex or by electronic transmission from member organisations appearing in our records as persons being entitled to a portion of the principal amount set out below (our "**Member Organisations**") substantially to the effect set out in the temporary global Note in respect of the Notes, as of the date hereof, £[•] principal amount of the Notes (1) is owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States federal income taxation regardless of its source ("**United States persons**"), (2) is owned by United States persons that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(iv) ("**financial institutions**")) purchasing for their own account or for resale, or (b) acquired the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution has agreed, on its own behalf or through its agent, that we may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (3) is owned by United States or foreign financial institutions for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7), and to the further effect that United States or foreign financial institutions described in clause (3) above (whether or not also described in clause (1) or (2)) have certified that they have not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

We further certify (1) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of such temporary global Note excepted in such certificates and (2) that as of the date hereof we have not received any notification from any of our Member Organisations to the effect that the statements made by such Member Organisation with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certificate is required in connection with certain tax laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorise you to produce this certificate to any interested party in such proceedings.

Yours faithfully

**[EUROCLEAR BANK S.A./N.V.] or [CLEARSTREAM BANKING, SOCIÉTÉ ANONYME]**

.....  
By:

Dated:           "

Any person appearing in the records of Euroclear or Clearstream, Luxembourg as entitled to an interest in this Temporary Global Note may require the exchange of an appropriate part of this Temporary Global Note for an equivalent interest in the Permanent Global Note by delivering or causing to be delivered to Euroclear or Clearstream, Luxembourg a certificate dated not more than 15 days before the Exchange Date in substantially the following form (copies of which will be available at the office of Euroclear in Brussels and Clearstream, Luxembourg in Luxembourg):

**"CERTIFICATE**

**Resolution plc**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

**Common Code 023524520 ISIN XS0235245205 (the "Notes")**

To: Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme

This is to certify that as of the date hereof, and except as set out below, the Notes held by you for our account (1) are owned by person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States federal income taxation regardless of its source ("**United States person(s)**"), (2) are owned by United States person(s) that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(iv) ("**financial institutions**")) purchasing for their own account or for resale, or (b) acquired the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (3) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and in addition if the owner of the Notes is a United States or foreign financial institution described in clause (3) above (whether or not also described in clause (1) or (2)) this is to further certify that such financial institution has not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia) and its "**possessions**" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We undertake to advise you promptly by tested telex on or prior to that date on which you intend to submit your certificate relating to the Notes held by you for our account in accordance with your documented procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certificate applies as of such date.

This certificate excepts and does not relate to £[•] principal amount of such interest in the Notes in respect of which we are not able to certify and as to which we understand exchange for an equivalent interest in the Permanent Global Note (or, if relevant, exercise of any rights or collection of any interest) cannot be made until we do so certify.

We understand that this certificate is required in connection with certain tax laws of the United States. In connection therewith, if administrative or legal proceedings are commenced

or threatened in connection with which this certificate is or would be relevant, we irrevocably authorise you to produce this certificate to any interested party in such proceeding.

Dated:

.....  
By:

[Name of person giving certificate]

As, or as agent for, the beneficial owner(s) of the above Notes to which this certificate relates."

Upon any exchange of a part of this Temporary Global Note for an equivalent interest in the Permanent Global Note, the portion of the principal amount hereof so exchanged shall be endorsed by or on behalf of the Principal Paying Agent in the Schedule hereto, whereupon the principal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed.

The Permanent Global Note will be exchangeable in accordance with its terms for definitive Notes (the "**Definitive Notes**") in bearer form with Coupons and a Talon for further Coupons attached.

This Temporary Global Note is subject to the Conditions and the Trust Deed and until the whole of this Temporary Global Note shall have been exchanged for equivalent interests in the Permanent Global Note its holder shall be entitled to the same benefits as if he were the holder of the Permanent Global Note for interests in which it may be exchanged (or the relevant part of it as the case may be) except that (unless exchange of this Temporary Global Note for the relevant interest in the Permanent Global Note shall be improperly withheld or refused by or on behalf of the Issuer) no person shall be entitled to receive any payment on this Temporary Global Note.

This Temporary Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Principal Paying Agent.

This Temporary Global Note shall be governed by and construed in accordance with English law.

In witness whereof the Issuer has caused this Temporary Global Note to be signed on its behalf by an Authorised Signatory.

Dated 17 November 2005

**RESOLUTION PLC**

.....  
By:

This Temporary Global Note is authenticated by or on behalf of the Principal Paying Agent.

.....  
By:

Authorised Signatory

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

**SCHEDULE OF EXCHANGES FOR INTERESTS IN THE PERMANENT GLOBAL  
NOTE**

The following exchanges of an interest in this Temporary Global Note for an interest in the Permanent Global Note have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in principal amount of this Temporary Global Note</u>	<u>Principal amount of this Temporary Global Note following such decrease</u>	<u>Notation made by or on behalf of the Principal Paying Agent</u>
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## SCHEDULE 2

### PART 2 FORM OF PERMANENT GLOBAL NOTE

ISIN: XS0235245205

**Resolution plc**

**(incorporated in England with limited liability)**

**£500,000,000**

**6.5864 per cent. Fixed/Floating Rate Perpetual Reset Capital Securities**

**Permanent Global Note**

This is to certify that the bearer is entitled to a principal sum not exceeding

**FIVE HUNDRED MILLION POUNDS STERLING (£500,000,000)**

(together with any applicable premium) on such date as such sum may become payable in accordance with the terms and conditions (the "**Conditions**") of the Notes designated above (the Notes) set out in Schedule 1 to the Trust Deed dated 17 November 2005 (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") between Resolution plc (the "**Issuer**") and HSBC Trustee (C.I.) Limited as trustee (the "**Trustee**") upon presentation and surrender of this Permanent Global Note and to interest on such principal sum at the rates and on the dates provided for in the Conditions and such other amounts as may be payable under the Conditions, all subject to and in accordance with the Conditions and the Trust Deed.

The aggregate principal amount from time to time of this Permanent Global Note shall be that amount not exceeding £500,000,000 as shall be shown by the latest entry in the fourth column of Schedule A hereto, which shall be completed by or on behalf of the Principal Paying Agent upon exchange of the whole or a part of the Temporary Global Note initially representing the Notes for a corresponding interest herein or upon the redemption or purchase and cancellation of Notes represented hereby or exchanged for Definitive Notes as described below.

This Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for the definitive Notes (the "**Definitive Notes**") described below (1) if this Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (each as defined under **Notices** below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Trustee and the Principal Paying Agent, or (2) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 10 which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Trustee, the Principal Paying Agent and the Noteholders of its intention

to exchange this Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

On or after the Exchange Date the holder of this Permanent Global Note may surrender this Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for this Permanent Global Note, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes having attached to them all Coupons in respect of interest which has not already been paid on this Permanent Global Note and a Talon for further Coupon, all security printed in accordance with any applicable legal and stock exchange requirements. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

**"Exchange Date"** means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (1) above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

Except as otherwise described herein, this Permanent Global Note is subject to the Conditions and the Trust Deed and, until it is exchanged for Definitive Notes, its holder shall be entitled to the same benefits as if it were the holder of the Definitive Notes for which it may be exchanged and as if such Definitive Notes had been issued on the date of this Permanent Global Note.

The Conditions shall be modified with respect to Notes represented by this Permanent Global Note by the following provisions:

### **Payments**

Principal, premium and interest in respect of this Permanent Global Note shall be paid (subject as provided in the Conditions) to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of the Principal Paying Agent in respect of the Notes (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in the appropriate Schedule hereto (such endorsement being *prima facie* evidence that the payment in question has been made). References in the Conditions to Coupons and Couponholders shall be construed accordingly. No person shall however be entitled to receive any payment on this Permanent Global Note falling due after the Exchange Date, unless exchange of this Permanent Global Note for Definitive Notes is improperly withheld or refused by or on behalf of the Issuer. Condition 10(c) and Condition 17(c) will apply to the Definitive Notes only.

### **Notices**

So long as this Permanent Global Note is held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or such other clearing system as shall have been approved by the Trustee (the "**Alternative Clearing System**"), notices required to be given to Noteholders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System for communication by it to entitled accountholders, rather than by

publication as required by the Conditions, except that, so long as the Notes are admitted to the official list maintained by the Financial Services Authority in its capacity as the UK Listing Authority (the "UKLA") and admitted to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market, all requirements of the UKLA have been complied with.

### **Prescription**

Claims in respect of principal, premium and interest in respect of this Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 21).

### **Purchase and Cancellation**

Cancellation of any Note represented by this Permanent Global Note which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of this Permanent Global Note on its presentation to or to the order of the Principal Paying Agent for notation in Schedule A. Notes may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the right to receive interest therein.

### **Trustee's Powers**

In considering the interests of Noteholders in circumstances where this Permanent Global Note is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, 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 the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of this Permanent Global Note and (b) consider such interests on the basis that such accountholders were the holder of this Permanent Global Note.

### **Meetings**

The holder hereof shall, at a meeting of Noteholders, be treated as having one vote in respect of each £50,000 principal amount of Notes for which this Permanent Global Note may be exchanged.

### **Preference Share Substitution**

Subject to the requirements of Euroclear, Clearstream, Luxembourg or the Alternative Clearing System, as the case may be, Substituted Preference Shares shall only be delivered on a Preference Share Substitution if this Permanent Global Note is presented to or to the order of the Principal Paying Agent together with one or more duly completed Substitution Confirmations.

This Permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Principal Paying Agent.

This Permanent Global Note is governed by and shall be construed in accordance with English law.

In witness whereof the Issuer has caused this Permanent Global Note to be signed on its behalf by an Authorised Signatory.

Dated 17 November 2005

**RESOLUTION PLC**

.....  
By:

This Permanent Global Note is authenticated by or on behalf of the Principal Paying Agent.

.....  
By:

Authorised Signatory

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

## SCHEDULE A

### PRINCIPAL AMOUNT OF THIS PERMANENT GLOBAL NOTE

The aggregate principal amount of this Permanent Global Note is as shown by the latest entry made by or on behalf of the Principal Paying Agent in the fourth column below. Increases in the principal amount of this Permanent Global Note following exchanges of a part of the Temporary Global Note for interests in this Permanent Global Note and reductions in the principal amount of this Permanent Global Note following redemption or the purchase and cancellation of Notes are entered in the second and third columns below.

<u>Date</u>	<u>Reason for change in the principal amount of this Permanent Global Note<sup>4</sup></u>	<u>Amount of such change</u>	<u>Initial principal amount and principal amount of this Permanent Global Note following such change</u>	<u>Notation made by or on behalf of the Principal Paying Agent (other than in respect of the initial principal amount)</u>
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<sup>4</sup> State whether increase/reduction following (1) exchange of part of Temporary Global Note (2) redemption of Notes or (3) purchase and cancellation of Notes.

**SCHEDULE B**

**INTEREST PAYMENTS IN RESPECT OF THIS PERMANENT GLOBAL NOTE**

The following payments of interest in respect of this Permanent Global Note and the Note represented by this Permanent Global Note have been made:

<u>Date made</u>	<u>Amount of interest due and payable</u>	<u>Amount of interest paid</u>	<u>Notation made by or on behalf of the Principal Paying Agent</u>
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**SCHEDULE 3**  
**PROVISIONS FOR MEETINGS OF NOTEHOLDERS**

1. The following expressions have the following meanings:
  - 1.1 "**voting certificate**" means a certificate in English issued by a Paying Agent and dated in which it is stated:
    - 1.1.1 that on that date Notes (not being Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjournment of it) bearing specified certificate numbers were deposited with that Paying Agent (or to its order at a bank or other depository) and that such Notes will not be released until the earlier of:
      - (i) the conclusion of the meeting specified in such certificate or any adjournment of it (whichever is the later); and
      - (ii) the surrender of the certificate to the Paying Agent which issued it; and
    - 1.1.2 that its bearer is entitled to attend and vote at such meeting or any adjournment of it in respect of the Notes represented by such certificate;
  - 1.2 "**block voting instruction**" means a document in English issued by a Paying Agent and dated in which:
    - 1.2.1 it is certified that Notes (not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction or any adjournment of it) have been deposited with that Paying Agent (or to its order at a bank or other depository) and that such Notes will not be released until the earlier of:
      - (i) the conclusion of the meeting specified in such document or any adjournment of it (whichever is the later); and
      - (ii) the surrender, not less than 48 hours before the time fixed for such meeting or adjournment, of the receipt for each such deposited Note which is to be released to the Paying Agent which issued it and the notification of such surrender by such Paying Agent to the Issuer in accordance with paragraph 18 hereof;
    - 1.2.2 it is certified that each depositor of such Notes or a duly authorised agent on his behalf has instructed that Paying Agent that the votes attributable to his Notes so deposited should be cast in a particular way in relation to each resolution to be put to such meeting or any adjournment of it and that all such instructions are, during the period of 48 hours before the time fixed for such meeting or adjourned meeting, neither revocable nor subject to amendment;
    - 1.2.3 the total number and the certificate numbers of the Notes so deposited are listed, distinguishing with regard to each resolution between those in respect of which instructions have been so given (i) to vote for, and (ii) to vote against, the resolution;

- 1.2.4 one or more person or persons named in such document (a "**proxy**" or "**proxies**") is authorised and instructed by that Paying Agent to vote in respect of the Notes so listed in accordance with the instructions referred to in paragraph 1.2.3 above as set out in such document;
- 1.2.5 "**24 hours**" shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business in all of the places as aforesaid; and
- 1.2.6 "**48 hours**" shall mean a period of 48 hours including all or part of two days upon which banks are open for business both in the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of two days upon which banks are open for business in all of the places as aforesaid.
- 1.3 "**Extraordinary Resolution**" means either (i) a resolution passed at a duly convened meeting of Noteholders held in accordance with this Trust Deed by a majority of not less than three-quarters of the votes cast or (ii) a resolution in writing signed by persons holding or representing not less than three-quarters in principal amount of the Notes for the time being outstanding complying with the provisions of paragraph 23 below.
2. A holder of a Note may obtain a voting certificate from a Paying Agent or require a Paying Agent to issue a block voting instruction by depositing his Note with such Paying Agent not later than 48 hours before the time fixed for a meeting. Voting certificates and block voting instructions shall be valid until the relevant Notes are released pursuant to paragraph 1 and until then the holder of a voting certificate or (as the case may be) the proxy named in a block voting instruction shall, for all purposes in connection with any meeting of Noteholders, be deemed to be the holder of the Notes to which that voting certificate or block voting instruction relates and the Paying Agent with which (or to the order of which) such Notes have been deposited shall be deemed for such purposes not to be the holder of those Notes.
3. The Issuer or the Trustee may at any time and the Issuer shall upon a requisition in writing signed by the holders of not less than one-tenth in principal amount of the Notes for the time being outstanding convene a meeting of the Noteholders and if the Issuer makes a default for a period of seven days in convening such a meeting the same may be convened by the Trustee or the requisitionists. Every such meeting shall be held at such place as the Trustee may appoint or approve.
4. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify



the day, time and place of the meeting, be given in the manner provided in the Conditions and shall include a statement to the effect that Notes may be deposited with (or to the order of) any Paying Agent for the purpose of obtaining voting certificates or appointing proxies until 48 hours before the time fixed for the meeting but not thereafter. Such notice shall state generally the nature of the business to be transacted at the meeting thereby convened but (except for an Extraordinary Resolution) it shall not be necessary to specify in such notice the terms of any resolution to be proposed.

5. A person (who may, but need not, be a Noteholder) nominated in writing by the Trustee may act as chairman of a meeting but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders present shall choose one of their number to be chairman. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.
6. At a meeting one or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-twentieth in principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted unless the requisite quorum be present at the commencement of business. The quorum at a meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding or at any adjourned such meeting one or more persons holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented, **provided that** at a meeting the business of which includes any of the following matters (each of which shall, whether or not Notes in definitive form have been issued, only be capable of being effected after having been approved by Extraordinary Resolution), namely:
  - 6.1 modification of the dates on which interest (including Deferred Coupon Payments) and/or principal and/or any premium is payable in respect of the Notes or the circumstances in which the payment of interest, premium and/or principal may be deferred;
  - 6.2 reduction of the Margin, reduction or cancellation of the principal amount of or interest, premium on, or variation of the method of calculating the rate of interest in accordance with Condition 5 on, the Notes;
  - 6.3 reduction of the Fixed Coupon Rate;
  - 6.4 change of the First Reset Date;
  - 6.5 change of the currency of payments on the Notes;
  - 6.6 modification of the provisions of Condition 2 and/or Condition 3; or

- 6.7 modification of the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution as described in this proviso or the proviso to paragraph 7 below, the quorum shall be one or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two-thirds of the principal amount of the Notes for the time being outstanding, or at any adjourned such meeting not less than one-third in principal amount of the Notes for the time being outstanding.
7. If within 15 minutes (or such longer period not exceeding thirty minutes as the chairman may decide) from the time fixed for a meeting a quorum is not present then, subject and without prejudice to the transaction of the business, if any, for which a quorum is present, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day in the place of the meeting) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period being not less than 14 days nor more than 42 days, and at such place as may be appointed by the chairman and approved by the Trustee) and at such adjourned meeting, one or more persons present holding Notes in definitive form or voting certificates or being proxies (whatever the principal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum been present, **provided that**, if Notes in definitive form have been issued, at any adjourned meeting the business of which includes any of the matters specified in the proviso to paragraph 6 above, the quorum shall be one or more persons present holding Notes in definitive form or voting certificates or being proxies and holding or representing in the aggregate not less than one-third of the principal amount of the Notes for the time being outstanding.
8. The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
9. At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.
10. Each question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Noteholder or as a holder of a voting certificate or as a proxy.
11. Unless a poll is (before or on the declaration of the result of the show of hands) demanded at any meeting by the chairman, the Issuer, the Trustee or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth part in principal amount of the Notes for the time being outstanding, a declaration by the chairman that a

resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

12. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the meeting for the transaction of any business other than the question on which the poll has been demanded.
13. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at the meeting without adjournment.
14. The Issuer, the Holding Company, and the Trustee (through their respective representatives) and their respective financial and legal advisers may attend and speak at any meeting of Noteholders. No one else may attend or speak at a meeting of Noteholders unless he is the holder of a Note or a voting certificate or is a proxy.
15. On a show of hands every person who is present in person and who produces a Note or voting certificate or is a proxy shall have one vote and on a poll every person who is so present shall have one vote in respect of each £50,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
16. A proxy need not be a Noteholder.
17. Each block voting instruction together (if so requested by the Trustee) with proof satisfactory to the Trustee of its due execution on behalf of the relevant Paying Agent shall be deposited at such place as the Trustee shall designate or approve at least 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxy named in the block voting instruction proposes to vote and in default the block voting instruction shall not be treated as valid unless the chairman of the meeting decides otherwise before the meeting or adjourned meeting proceeds to business. A naturally certified copy of each block voting instruction shall if required by the Trustee be produced by the proxy at the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of, or the authority of, the proxy named in a block voting instruction.
18. A vote cast in accordance with the terms of a block voting instruction shall be valid even if the block voting instruction or any of the Noteholders' instructions pursuant to which it was executed has been previously revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Paying Agent by the Issuer or the Trustee at its registered office (or at such other place as the Trustee shall designate or approve) or by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting or adjourned meeting at which the block voting instruction is used.

19. A meeting of Noteholders shall, subject to the Conditions, in addition to the powers given above, but without prejudice to any powers conferred on other persons by this Trust Deed, have power exercisable by Extraordinary Resolution:
  - 19.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Issuer and/or the Holding Company whether or not these rights arise under this Trust Deed;
  - 19.2 to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds, notes or other obligations or securities of the Issuer or any other entity;
  - 19.3 to assent to any modification of this Trust Deed, the Notes or the Coupons which shall be proposed by the Issuer or the Trustee;
  - 19.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
  - 19.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;
  - 19.6 to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
  - 19.7 to approve a proposed new Trustee and to remove a Trustee;
  - 19.8 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under this Trust Deed;
  - 19.9 to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed, the Notes or the Coupons; and
  - 19.10 to sanction any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.
20. An Extraordinary Resolution passed at a meeting of Noteholders duly convened and held in accordance with this Trust Deed shall be binding on all the Noteholders, whether or not present at the meeting, and on all the Couponholders and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

21. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Noteholders, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.
22. Subject to all other provisions of this Trust Deed the Trustee may without the consent of the Noteholders prescribe such further regulations regarding the holding of meetings and attendance and voting at them as the Trustee may in its sole discretion determine including (without limitation) such regulations and requirements as the Trustee thinks reasonable to satisfy itself that the persons who purport to make any requisition in accordance with this Trust Deed are entitled to do so and as to the form of voting certificates or block voting instructions so as to satisfy itself that persons who purport to attend or vote at a meeting are entitled to do so.
23.
  - 23.1 In order for a duly signed resolution in writing to qualify as an Extraordinary Resolution pursuant to the provisions of paragraph 1.3 above, it shall be signed by or on behalf of one or more Noteholders holding not less than three-quarters in principal amount for the time being outstanding of the Notes and shall indicate that the signatories thereto are the holders of not less than three-quarters in principal amount for the time being outstanding of such Notes and shall be delivered to the registered office of the Issuer with a copy delivered to the office of the Trustee, together with such evidence as the Issuer and the Trustee may require that the signatories thereto are holders of not less than three-quarters in principal amount for the time being outstanding of the Notes.
  - 23.2 Such a resolution in writing shall:
    - 23.2.1 for all purposes of these presents be deemed to be, and shall have the same validity and effect and be binding as, an Extraordinary Resolution duly passed at a meeting of the Noteholders duly convened and held pursuant to and in accordance with the relevant provisions of this Trust Deed and as to which there had been satisfied all such provisions, including, without limitation, the relevant provisions relating to quorum and the giving of notice of such meeting to the Noteholders; and
    - 23.2.2 without prejudice to the generality of the foregoing, be capable of approving any or all of the matters specified in the proviso to paragraph 6 above and in paragraph 19 above.
  - 23.3 Upon receipt of any such document as aforesaid qualifying as an Extraordinary Resolution pursuant to this Trust Deed the Issuer shall provide a certified copy of the relevant document to the Trustee.
24. For voting purposes the pool factor applied to the Notes as a result of the Extraordinary Resolution passed by Noteholders on 22 April 2010 shall not be taken into account and quorum and voting entitlements shall be calculated by reference to the principal amount outstanding on the Notes without application of the pool factor.

**IN WITNESS** whereof this Trust Deed has been executed as a deed and delivered on the date stated at the beginning.

**EXECUTED AS A DEED** by )  
**PEARL GROUP HOLDINGS (NO. 1) LIMITED** )  
acting by )

.....  
Authorised Signatory

In the presence of:

.....  
Signature of witness

Name of witness (in BLOCK CAPITALS)

Address of witness:

**EXECUTED AS A DEED** by )  
**HSBC TRUSTEE (C.I.) LIMITED** )  
acting by )

.....  
Authorised Signatory

)

.....  
Authorised Signatory

**EXECUTED AS A DEED** by )  
**PHOENIX GROUP HOLDINGS** )  
acting by )

.....  
Authorised Signatory

In the presence of:

.....  
Signature of witness

Name of witness (in BLOCK CAPITALS)

Address of witness: