

## TERMS AND CONDITIONS OF THE TIER 3 NOTES

The £250 million 4.016 per cent. Tier 3 Subordinated Notes due 2026 (each, a **“Note”** and together, the **“Notes”**, which expression includes any further Notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) were issued by ReAssure Group plc (**“ReAssure”**), incorporated under the laws of England and Wales, on 13 June 2019. The substitution of Phoenix Group Holdings plc (the **“Issuer”**) in place of ReAssure as principal debtor in respect of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 15 May 2020.

The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 13 June 2019 as amended and restated by the amended and restated trust deed dated 22 July 2020 (as further amended or supplemented from time to time, the **“Trust Deed”**) between ReAssure, the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the **“Trustee”**, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and have the benefit of an agency agreement, dated on or about 13 June 2019 (as amended by a side letter agreement between the Issuer, the Trustee, ReAssure and the agents named therein to reflect the substitution of the Issuer in place of ReAssure as principal debtor under the Trust Deed and the Notes and as further amended and/or supplemented and/or restated from time to time, the **“Agency Agreement”**), between the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **“Registrar”**, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the **“Principal Paying Agent”**, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the **“Transfer Agents”**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the **“Paying Agents”**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the **“Agents”** are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an **“Agent”** is to any one of them.

These terms and conditions (the **“Conditions”**) include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. The Noteholders (as defined in Condition 19 (*Definitions*)) are deemed to have notice of all provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

### 1 Form, Denomination and Transfer

The Notes will be issued in registered form, in the aggregate principal amount of £250 million in denominations of £100,000 and integral multiples of £1,000 in excess thereof on or about 13 June 2019 (the **“Issue Date”**).

A Note certificate (each, a **“Note Certificate”**), will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register of Noteholders which the Issuer will procure to be kept by the Registrar (the **“Register”**).

## 2 Title and Transfer

(a) ***Title***

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or writing on it, or the previous theft or loss of, the Note Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Noteholder**” and (in relation to a Note) “**holder**” means the person in whose name a Note is registered in the Register.

(b) ***Transfer***

A Note may be transferred by depositing the Note Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the Specified Office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a holding of Notes represented by one Note Certificate, a new Note Certificate shall be issued to the transferee in respect of the part transferred and a further new Note Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(c) ***Delivery of Note Certificates***

Each new Note Certificate to be issued pursuant to Condition 2(b) shall, within three business days of receipt of the form of transfer and surrender of the relevant Note Certificate, be mailed by uninsured post at the risk of the Noteholder entitled to the new Note Certificate to the address specified in the form of transfer. In this Condition 2(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of any Transfer Agent or the Registrar (as the case may be).

(d) ***Formalities free of charge***

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

(e) ***Closed Periods***

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or during the period following the delivery of a notice of voluntary payment of Arrears of Interest in accordance with Condition 5(c) and Condition 16 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest on that Note.

(f) ***Regulations***

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

### 3 Status of the Notes

(a) **Status**

The Notes constitute direct, subordinated and unsecured obligations of the Issuer, ranking *pari passu* and without any preference among themselves. The rights and claims of Noteholders in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Condition 9.

(b) **Issuer Winding-Up**

Subject to Condition 3(c), if:

- (i) 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) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer in accordance with the provisions of Condition 13); or
- (ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer,

(the events in Conditions 3(b)(i) and 3(b)(ii), each being an “**Issuer Winding-Up**”), the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed which shall not be subordinated) and the Noteholders against the Issuer in relation to the Notes and the Trust Deed (including, without limitation, any damages awarded for breach of any obligations under the Notes and Trust Deed) will be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank:

- (A) at least *pari passu* with (i) all claims of holders of subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 3 Capital of the Issuer and (ii) all claims of holders of other subordinated obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Notes (together, the “**Parity Obligations of the Issuer**”); and
- (B) in priority to (i) all claims of holders of subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital or Tier 2 Capital of the Issuer, (ii) the claims of holders of any subordinated obligations of the Issuer which rank, or are expressed to rank, junior to the Notes, and (iii) the claims of holders of all classes of shares in the Issuer.

(c) **No Prejudice to Trustee Remuneration**

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

(d) **Solvency Condition**

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring (but subject to Condition 3(c)), all payments under or arising from (including any damages awarded for breach of any obligations under) the Notes or the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable under or arising from the Notes or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

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

A certificate as to the solvency or lack thereof of the Issuer signed by two authorised signatories of the Issuer or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) **Set-off**

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

## 4 Interest

(a) **Interest Payment Dates**

The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.016 per cent. per annum (the “**Rate of Interest**”) payable (subject as provided in Condition 3(d) and below) semi-annually in arrear on 13 June and 13 December in each year from and including 13 December 2019 to and including the Maturity Date (each an “**Interest Payment Date**”).

Whenever it is necessary to compute an amount of interest in respect of the Notes for a period less than a full Interest Period, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest pence, half a

pence being rounded upwards, or otherwise in accordance with applicable market convention. The amount of interest payable in respect of a Note shall be calculated by multiplying the amount of interest per Calculation Amount determined as aforesaid by the denomination of such Note and dividing the resulting figure by £1,000.

(b) ***Interest Accrual***

Each Note will cease to bear interest from and including its due date for redemption (which due date shall, in the case of suspension of a redemption date in accordance with the Solvency Condition or Condition 6(b), be the latest date to which redemption of the Notes is so suspended) unless, upon due surrender (where required), payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

## **5 Deferral of Payments**

(a) ***Mandatory Deferral of Interest***

Subject as set out below, payment of interest on the Notes by the Issuer will be mandatorily deferred on each Regulatory Deficiency Interest Deferral Date. The Issuer shall notify the Noteholders, the Agents and the Trustee of any Regulatory Deficiency Interest Deferral Date in accordance with Condition 5(d) (provided that failure to make such notification shall not oblige the Issuer to make payment of such interest, or cause the same to become due and payable, on such date) and the Issuer shall not have any obligation to make such payment on that date.

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

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

(b) ***Arrears of Interest***

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) the obligation on the Issuer to defer pursuant to Condition 5(a) or (ii) the operation of the Solvency Condition contained in Condition 3(d), together with any other interest in respect thereof not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**".

Arrears of Interest shall not themselves bear interest.

(c) ***Payment of Arrears of Interest by the Issuer***

Any Arrears of Interest may (subject to Condition 3(d), the Relevant Rules and, if then required under the Relevant Rules, to satisfaction of the Regulatory Clearance Condition), be paid by the Issuer in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Agents and the Noteholders in accordance with Condition 16, and in any event will become due and payable by the Issuer (subject, in the case of (i) and (iii) below, to Condition 3(d) and, if then required under the Relevant Rules, to satisfaction of the Regulatory Clearance Condition) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(a)) and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest); or
- (ii) the date on which an Issuer Winding-Up occurs; or
- (iii) the date fixed for any redemption or purchase of Notes by the Issuer pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)) or Condition 9.

If either of the events set out in Condition 5 (c)(i) or (iii) occurs, the Issuer promptly shall give notice to the Trustee, the Agents and the Noteholders in accordance with Condition 16.

(d) ***Notice in respect of Interest Payment***

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

- (i) if that Interest Payment Date is a Regulatory Deficiency Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs or is determined to occur (or if a determination that a Regulatory Deficiency Interest Deferral Event would occur if the relevant interest payment were to be made is made) less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event (and, in either case, such notice shall specify that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were made on such Interest Payment Date); or
- (ii) if payment of any interest will not become due on such Interest Payment Date as a result of a failure to satisfy the Solvency Condition, provided that

if the circumstances resulting in non-satisfaction of the Solvency Condition occur, or are determined to occur, less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event (and in either case such notice shall specify that interest will not be paid as a result of non-satisfaction of the Solvency Condition).

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

### **(a) *Redemption at Maturity***

Subject to Conditions 3(d), 6(b) and 6(h), unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date at its principal amount, together with any interest accrued to (but excluding) the Maturity Date in accordance with these Conditions and any Arrears of Interest.

### **(b) *Deferral of redemption date***

(i) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6(a) or redeemed prior to the Maturity Date pursuant to Condition 6(c), 6(d), 6(e) or 6(j) or purchased pursuant to Condition 6(f) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption or purchase were made on, if Condition 6(a) applies, the Maturity Date or, if Condition 6(c), 6(d), 6(e) or 6(j) applies, any date specified for redemption in accordance with such Conditions or, if Condition 6(f) applies, the date of such purchase.

(ii) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6(a) or on any redemption date pursuant to Condition 6(c), 6(d), 6(e) or 6(j) (as applicable) as a result of circumstances where:

- (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date; or
- (B) the Solvency Condition would not be satisfied on such date or immediately after the redemption; or
- (C) the Regulatory Clearance Condition is not satisfied (to the extent then required under the Relevant Rules) in relation to such redemption; and/or
- (D) such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee and the Agents in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to the Maturity Date or the date specified for redemption in accordance with Condition 6(c), 6(d), 6(e) or 6(j), as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than five Business Days prior to the relevant redemption date).

Failure to make any such notification shall not cause the Notes to become due and payable on such date and the Issuer shall not have any obligation to redeem the Notes (or make any redemption payment in respect of the Notes) on that date.

- (iii) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e) or 6(j) as a result of Condition 6(b)(i) above or Condition 6(h) below, subject (in the case of (A) and (B) only) to Condition 3(d) and to the Regulatory Clearance Condition (if then applicable in accordance with the Relevant Rules) and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their principal amount together with accrued and unpaid interest to (but excluding) the date fixed for redemption and any Arrears of Interest, upon the earliest of:
  - (A) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of this Condition 6(b) shall apply mutatis mutandis to determine the due date for redemption of the Notes); or
  - (B) the date falling 10 Business Days after the relevant regulatory approval for the repayment or redemption of the Notes (where such approval is required under the Relevant Rules) is received; or
  - (C) the date on which an Issuer Winding-Up occurs.
- (iv) If on any date Condition 6(b)(i) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e) or 6(j) as a result of the non-satisfaction of the Solvency Condition, subject to Condition 6(h), such Notes shall be redeemed at their principal amount together with accrued but unpaid interest and any Arrears of Interest on the tenth Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(d) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(d), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed then the Notes shall not be redeemed on such date and Conditions 3(d) and 6(b)(iii) shall apply, mutatis mutandis, to determine the date of the redemption of the Notes.
- (v) In addition to any certificate given pursuant to Condition 3(d) in relation to the satisfaction or otherwise of the Solvency Condition, a certificate signed by two authorised signatories of the Issuer delivered to the Trustee confirming that (A) a Regulatory Deficiency Redemption Deferral Event has



occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (C) that any circumstance described in Condition 6(b)(ii)(B), (C) or (D) applies, may (in the absence of manifest error) be treated and accepted by the Trustee as correct and sufficient evidence thereof and shall if so treated and accepted be binding on the Noteholders and all other interested parties. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

- (vi) In circumstances where redemption of the Notes has been deferred, the Issuer shall, as soon as reasonably practicable following its determination of the new scheduled redemption date in accordance with this Condition 6(b), give notice to the Trustee, the Agents and to the Noteholders in accordance with Condition 16 of the new scheduled redemption date (but this shall be without prejudice to further deferral of redemption on such date in the circumstances required by these Conditions).
- (vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(d) or this Condition 6(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

(c) ***Redemption, Substitution or Variation at the Option of the Issuer for Taxation Reasons***

Subject to Conditions 3(d), 6(b) and 6(h), if the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after the Relevant Issue Date (a) on the next Interest Payment Date, the Issuer will or would be required to pay Additional Amounts; or (b) the Issuer would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or in the determination of the Issuer, for a material part of such interest) in the United Kingdom; or (c) the Issuer suffers or would suffer in the determination of the Issuer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction; and
- (ii) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the other Agents and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) either:

- (A) redeem all (but not some only) of the Notes, at any time at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (x) with respect to Condition 6(c)(i)(a) above, the Issuer would be obliged to pay such additional amounts; (y) with respect to Condition 6(c)(i)(b) above, the Issuer would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or in the determination of the Issuer, a material part of it would not be so deductible) in the United Kingdom, as referred to in Condition 6(c)(i)(b) above; or (z) with respect to Condition 6(c)(i)(c) above, the relevant material adverse tax consequence would arise or be suffered, in each case were a payment in respect of the Notes then due; or
- (B) in order to avoid or address an event referred to in Condition 6(c)(i) above, substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes provided they remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the authorised signatories referred to in Condition 6(h)(i) below and in the definition of “Qualifying Securities”) agree to such substitution or variation.

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

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

Subject to Conditions 3(d), 6(b) and 6(h), if a Capital Disqualification Event has occurred and is continuing, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee, the Registrar and the other Agents, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time on any Interest Payment Date, at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the authorised signatories referred to in Condition 6(h)(i) below and in the definition of “Qualifying Securities”) agree to such substitution or variation,

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

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

(e) ***Redemption, Substitution or Variation at the Option of the Issuer for Rating Reasons***

Subject to Conditions 3(d), 6(b) and 6(h), if a Ratings Methodology Event has occurred and is continuing, or the Issuer satisfies the Trustee that, as a result of any change in, or amendment to, or any change in the application of, any applicable methodology of the Rating Agency, a Ratings Methodology Event will occur within a period of six months, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee, the Registrar and the other Agents, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes on any Interest Payment Date, at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Securities and the Trustee shall (subject to the receipt by it of the certificates of the authorised signatories referred to in Condition 6(h)(i) below and in the definition of "Rating Agency Compliant Securities" and "Qualifying Securities") agree to such substitution or variation,

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

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

(f) ***Purchase***

Subject to Conditions 3(d), 6(b) and 6(h), the Issuer or any of its Subsidiaries may at any time purchase any Notes at any price in the open market or otherwise.

(g) ***Cancellation***

Notes purchased by or on behalf of the Issuer or its Subsidiaries may be held or cancelled. Any Notes that are cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(h) ***Pre-conditions to Redemption, Substitution, Variation or Purchase***

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 6(c), 6(d) or 6(e), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that:
  - (A) one or more of the requirements referred to in Condition 6(c)(i) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (B) a Capital Disqualification Event has occurred and is continuing as at the date of the certificate; or

- (C) a Ratings Methodology Event has occurred and is continuing as at the date of the certificate or that, as a result of any change in, or amendment to, or any change in the application of, any applicable methodology of the Rating Agency, a Ratings Methodology Event will occur within a period of six months from the date of the certificate,

and it would have been reasonable for the Issuer to conclude, judged at the Relevant Issue Date, that the circumstance entitling the Issuer to exercise the right of redemption was not reasonably foreseeable.

In the case of (A) above, the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser in the applicable Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in Condition 6(c)(i) applies or (where applicable) will apply on the next Interest Payment Date.

The Trustee shall be entitled to accept such certificate and (in the case of (A) above) opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to rely absolutely on such certificate and (in the case of (A) above) opinion without liability to any person and without any obligation to verify or investigate the accuracy thereof.

- (ii) Any purchase of Notes by the Issuer or any Subsidiary of the Issuer, any redemption of the Notes and any substitution or variation of the Notes will, if and to the extent then required by the Relevant Rules, be conditional upon:
  - (A) the Issuer and the Issuer Group being in continued compliance with the Regulatory Capital Requirements (if any) applicable to them;
  - (B) the Issuer having complied with the Regulatory Clearance Condition;
  - (C) in the case of a repurchase or redemption before the date that is five years after the Relevant Issue Date the redemption or purchase being funded (to the extent then required by the PRA pursuant to the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes (being capital with the necessary features of Tier 3 Capital) or a better quality form of regulatory capital and being otherwise permitted under the Relevant Rules; and
  - (D) compliance with any other applicable requirements of the Relevant Rules regarding redemption, purchase, substitution or variation (as the case may be) of the Notes.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Relevant Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6(h), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

The Trustee shall be entitled to accept a certificate from any two authorised signatories of the Issuer to the Trustee confirming whether or not any such

compliance is required by the Relevant Rules and, if so, confirming compliance with the relevant requirements shall if so accepted by the Trustee be conclusive and binding on the Issuer, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

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

(i) Subject to Condition 6(h), the Trustee shall (at the expense of the Issuer) execute any documents or deeds prepared by the Issuer to give effect to the substitution of the Notes for, or variation of the Notes so that they remain or become, Qualifying Securities or Rating Agency Compliant Securities (as applicable) pursuant to this Condition 6, provided that (i) the Issuer shall certify to the Trustee (upon which certification the Trustee shall be entitled to rely without liability to any person) that such documents or deeds are necessary to ensure that the Notes remain or become Qualifying Securities or Rating Agency Compliance Securities; and (ii) the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the cooperation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee refrains from executing any such documents and deeds as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 6.

(ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 6 relates, it shall be entitled to assume that no such event or circumstance exists or has arisen.

(j) ***Clean-up call***

Subject to Conditions 3(d), 6(b) and 6(h), if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 15 so as to be consolidated and form a single series with the Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled pursuant to these Conditions, then the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Agents and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and, subject as aforesaid, be irrevocable), redeem all (but not some only) of the Notes at any time at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

Prior to the publication of any notice of redemption pursuant to this Condition 6(j), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that, as at the date of the certificate, 80 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased by the Issuer or any of its Subsidiaries and cancelled. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person. Upon expiry of such notice the Issuer shall (subject to Conditions 3(d), 6(b) and 6(h)) redeem the Notes.

## **7 Payments**

### **(a) *Principal***

Payments of principal in respect of the Notes shall be made (i) by transfer to the Registered Account (as defined in Condition 19 (*Definitions*)) of the Noteholder; or (ii) if the Noteholder does not have a Registered Account, by Sterling cheque drawn on a bank that processes payments in Sterling mailed to the Registered Address (as defined in Condition 19 (*Definitions*)) of the Noteholder, as notified to the Paying Agents not later than the Record Date (as defined below), in each case, upon surrender of the relevant Note Certificate at the Specified Office of the Paying Agents.

### **(b) *Interest***

Payments of interest (including Arrears of Interest) in respect of the Notes shall be made (i) by transfer to the Registered Account of the Noteholder; or (ii) if the Noteholder does not have a Registered Account, by Sterling cheque drawn on a bank that processes payments in Sterling mailed to the Registered Address of the Noteholder, as notified to the Paying Agents not later than the Record Date upon surrender (in the case of interest payable on redemption) of the relevant Note Certificate at the Specified Office of the Paying Agents.

### **(c) *Record Date***

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the 15th day before the due date for such payment (the "**Record Date**").

### **(d) *Payments subject to fiscal laws***

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable in the place of payment and (ii) any withholding or deduction required pursuant to any FATCA Provisions, but in each case without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments.

### **(e) *Payments on Business Days***

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to

be made by Sterling cheque, the cheque will be mailed (i) in the case of payments of principal and interest (including Arrears of Interest) payable on redemption, on the later of the due date for payment (or, if the due date is not a Business Day, on the next succeeding Business Day) and the day on which the relevant Note Certificate is surrendered at the Specified Office of the Paying Agents and (ii) in the case of payments of interest (including Arrears of Interest) payable other than on redemption, on the due date for payment (or, if the due date is not a Business Day, on the next succeeding Business Day). A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Business Day or (B) a cheque mailed in accordance with this Condition 7(e) (*Payments on Business Days*) arriving after the due date for payment or being lost in the mail.

## 8 Taxation

- (a) All payments of principal, interest and Arrears of Interest in respect of the Notes will be made free and clear of, and without a tax deduction or withholding (collectively, a “**Tax Deduction**”) for, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction, unless such Tax Deduction is required by law. In the event of such Tax Deduction, subject as provided in Condition 8(b) (*Taxation*) below, the Issuer will pay such additional amounts in respect of interest (including Arrears of Interest) (but not in respect of principal) (the “**Additional Amounts**”) as will result (after such Tax Deduction) in receipt by the Noteholders of such net amount as would otherwise have been receivable if no Tax Deduction had been required.
- (b) Notwithstanding Condition 8(a) (*Taxation*), no Additional Amounts shall be payable on account of any Taxes which:
- (i) are payable if payment under a Note is claimed by or on behalf of a Noteholder that is liable to such Taxes in respect of such Note by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Note; or
  - (ii) are payable or required to be withheld or deducted by reason of the relevant Note Certificate being surrendered (where relevant) by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note Certificate is surrendered for payment; or
  - (iii) are payable or required to be withheld or deducted by reason of any FATCA Provisions; or
  - (iv) are payable more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on surrendering (where relevant) the same for payment on such thirtieth day. The “**Relevant Date**” means the date on which such payment first became due, except for in the circumstances that the full

amount of the moneys payable has not been duly received by the Paying Agents on or prior to such due date. In that case, “**Relevant Date**” means the date on which notice is duly given to the Noteholders in accordance with Condition 16 (*Notices*) to the effect that the full amount of such moneys has been received.

## 9 Enforcement

### (a) ***Rights to institute and/or prove in a winding-up***

Unless an Issuer Winding-Up has occurred, no amount shall be due from the Issuer in those circumstances where payment of such amount could not be made in compliance with the Solvency Condition or is deferred in accordance with Condition 5(a), 6(b) or 6(h).

If default is made by the Issuer for a period of 14 days or more in the payment of any amount due in respect of the Notes or any of them, subject to Conditions 3(d), 5(a), 6(b) or 6(h), the Trustee at its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for the winding-up of the Issuer.

In the event of an Issuer Winding-Up (whether or not instituted by the Trustee pursuant to the foregoing), the Trustee in its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction), prove and/or claim in such Issuer Winding-Up, such claim being for the principal amount of the Notes, together with Arrears of Interest and any other accrued interest, with such claim subordinated as contemplated in Condition 3(b) but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

### (b) ***Enforcement***

Without prejudice to Condition 9(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 9(b) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 9(a).

### (c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 9(a) or 9(b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (a) it shall have



been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre funded to its satisfaction.

(d) ***Right of Noteholders***

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding up or claim in the liquidation of the Issuer or to prove in such winding up unless the Trustee, having become so bound to proceed or being able to prove in such winding up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9.

(e) ***Extent of Noteholders' remedies***

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

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

## **10 Prescription**

Claims against the Issuer for payment in respect of Notes shall become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest or Arrears of Interest) from their respective Relevant Date.

## **11 Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Registrar may require.

Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

## **12 Trustee and Agents**

(a) Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and

will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction.

- (b) The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and/or to appoint other agents *provided* that it will at all times maintain: (i) a principal paying agent; (ii) if and for so long as the Notes are listed on a stock exchange, a paying agent and a transfer agent having a specified office in such city as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority; and (iii) a registrar.
- (c) Each Agent reserves the right at any time to change its specified office to some other specified office in the same jurisdiction. Notice of all changes in the identities or specified offices of such Agent will be delivered promptly by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*).
- (d) If, at any time during the life of the Notes, any Agent shall resign or become incapable of acting as Agent or shall be adjudged bankrupt or insolvent, such Agent shall be substituted in accordance with these Conditions and Clause 12 (*Changes in Agents*) of the Agency Agreement. In the event of such a replacement of an Agent all references to such Agent shall be deemed to refer to such replacement. Notice of such a replacement shall be delivered to the Noteholders in accordance with Condition 16 (*Notices*).
- (e) In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with the Noteholders.

### **13 Substitution**

(a) ***Discretion to agree to substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to (a) such substitution not being, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders, (b) certain additional conditions set out in the Trust Deed being satisfied (including no negative rating event with respect to the Notes) and (c) such amendment of these Conditions, the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders:

- (i) to the substitution of a successor in business of the Issuer in place of the Issuer or any previous substitute under this Condition 13 as principal debtor under the Trust Deed and the Notes; or
- (ii) to the substitution of the Issuer Group Parent Entity in place of the Issuer or any previous substitute under this Condition 13 as principal debtor under the Trust Deed and the Notes; or
- (iii) (subject to the Notes being unconditionally and irrevocably guaranteed (subject to the Solvency Condition) on a subordinated basis by the Issuer), to the substitution of a Subsidiary of the Issuer in place of the Issuer or any previous substitute under this Condition 13 as principal debtor under the Trust Deed and the Notes,

any such substitute being a “**Substituted Obligor**”.

Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

(b) ***Change in law***

In the case of any substitution pursuant to this Condition 13, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed, provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(c) ***Notice to Noteholders***

The Issuer will give notice of any substitution pursuant to this Condition 13 to Noteholders in accordance with Condition 16 as soon as reasonably practicable following such substitution provided failure to do so shall not prevent the substitution from being effective.

## **14 Modifications and Meetings of Noteholders**

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee at any time and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes provided that the Trustee has been indemnified and/or prefunded and/or secured to its satisfaction. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, that*, at any meeting the business of which includes consideration of any proposal to:

- (i) change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes, to change any provisions relating to the deferral of interest or principal or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes (except where such change would result in an increase of amounts payable to Noteholders) on any date;
- (ii) change the currency in which any amount due in respect of the Notes is payable;
- (iii) change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the

taking of any decision or action by or on behalf of the Noteholders or any of them;

- (iv) change the circumstances set out in Condition 14(a)(i) to (iv), the definition of “Extraordinary Resolution, the definition of “outstanding” or the definition of “Written Resolution” in the Conditions;
- (v) approve any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person not otherwise contemplated herein; or
- (vi) in connection with any proposed exchange, substitution or conversion of the type referred to in subparagraph (v) of this Condition 14(a), to amend any of the provisions of the Notes describing circumstances in which Notes may be redeemed or declared due and payable prior to their scheduled maturity date,

the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of holders of Notes, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than 75 per cent. in nominal amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution (a “**Written Resolution**”). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 6(c), 6(d) or 6(e) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 13.

(b) ***Modification and Waiver***

In addition to the requirements of Condition 6(c), 6(d), 6(e) and 13, the Trustee may concur with the Issuer to agree, without the consent of the Noteholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to, and any waiver or authorisation of any breach or proposed breach of any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders (except in relation to any modification, authorisation or waiver to Reserved Matters as specified and defined in Schedule 3 (*Provisions for Meetings of Noteholders*) of the Trust Deed).

For the avoidance of doubt, such power shall not extend to any such modification in respect of Reserved Matters unless required for the substitution or variation of the

Notes pursuant to Condition 6(c), 6(d), 6(e) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 13.

Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. No such modification, authorisation or waiver shall become effective unless (if and to the extent required at the relevant time by the PRA) the Issuer shall have first satisfied the Regulatory Clearance Condition.

## 15 Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of first payment of interest) so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue.

## 16 Notices

Notices to Noteholders shall be mailed to them at their respective addresses in the Register and, if and for so long as the Notes are admitted to trading on any stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the second weekday (being a day other than a Saturday or a Sunday) after the date of mailing or on the date of publication, or, if published more than once or on different dates, on the first date on which publication is made.

## 17 Governing Law and Jurisdiction

### (a) ***Governing law***

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

### (b) ***English courts***

Subject to Condition 17(d) (*Rights of the Noteholders to take proceedings outside England*) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a “**Dispute**”) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

### (c) ***Appropriate forum***

The Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

### (d) ***Rights of the Noteholders to take proceedings outside England***

Condition 17(b) (*English courts*) is for the benefit of the Noteholders and the Trustee only. To the extent allowed by law, the Issuer has in the Trust Deed agreed that the

Noteholders or the Trustee may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

## 18 **Contracts (Rights of Third Parties) Act 1999**

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

## 19 **Definitions**

**“Additional Amounts”** has the meaning set forth in Condition 8(a) (*Taxation*).

**“Arrears of Interest”** has the meaning given to it in Condition 5(b).

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

**“Business Day”** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets in London are open for general business.

**“Calculation Amount”** means £1,000.

a **“Capital Disqualification Event”** shall be deemed to have occurred if, at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 3 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Issuer Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation derived from any transitional or grandfathering provisions under the Relevant Rules).

**“Conditions”** means these terms and conditions of the Notes, as amended from time to time.

**“Day Count Fraction”** means, in respect of any period, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the product of (1) the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date and (2) two.

**“Dispute”** has the meaning set forth in Condition 17(b) (*English Courts*).

**“EIOPA”** means the European Insurance and Occupational Pensions Authority.

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

**“Extraordinary Resolution”** means (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75% of the votes cast on such resolution, or (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% in principal amount of the Notes for the time being outstanding; or (iii) consent given by way of electronic consents through the relevant clearing

system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 75% in principal amount of the Notes for the time being outstanding.

**"FATCA Provisions"** mean Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the **"Code,"** and such sections **"FATCA"**), any successor provisions to FATCA, any current or future regulations or official interpretations of FATCA, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement between the United States and another jurisdiction (including any agreement with the United Kingdom) to improve tax compliance and to implement FATCA (an **"IGA"**) or any legislation, rules or practices implementing an IGA.

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

**"Insolvent Insurer Winding-up"** means:

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking,

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

**"insurance undertaking"** has the meaning given to it in the Solvency II Directive.

**"Interest Amount"** means the amount of interest that would be payable on the aggregate principal amount of the Notes outstanding on the relevant date for payment.

**"Interest Payment Date"** has the meaning set forth in Condition 4(a) (*Interest Payment Dates*).

**"Interest Period"** means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

**"Issue Date"** has the meaning set forth in Condition 1 (*Form, Denomination and Transfer*).

**"Issuer"** means Phoenix Group Holdings plc, with its registered office at Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU.

**"Issuer Group"** means the Issuer Group Parent Entity and its Subsidiaries.

**"Issuer Group Parent Entity"** means the Issuer or any Subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time. As at 22 July 2020, the Issuer Group Parent Entity is the Issuer.

**"Issuer Winding-Up"** has the meaning given in Condition 3(b).

**"Level 2 Regulations"** means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended).

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

**“Maturity Date”** means 13 June 2026.

**“Minimum Capital Requirement”** means the Minimum Capital Requirement, the minimum consolidated group Solvency Capital Requirement or other minimum capital requirements (as applicable) referred to in Solvency II or the Relevant Rules.

**“Note”** or **“Notes”** means the £250 million 4.016 per cent. Tier 3 Subordinated Notes due 2026 of the Issuer.

**“Note Certificate”** or **“Note Certificates”** has the meaning set forth in Condition 1.

**“Noteholder”** has the meaning set forth in Condition 2(a) (*Title*).

**“Parity Creditors of the Issuer”** means the creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders including holders of Parity Obligations of the Issuer.

**“Parity Obligations of the Issuer”** has the meaning given in Condition 3(b).

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

**“PRA”** means the Bank of England acting as the UK Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer, the Issuer Group and/or the Issuer Group Parent Entity.

**“Qualifying Securities”** means securities issued by the Issuer or another entity and guaranteed by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two authorised signatories of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which are intended to match the then current requirements of the Relevant Rules in relation to Tier 3 Capital insofar as practicable; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank or, if issued by another



entity, benefit from a guarantee of the Issuer which ranks, at least pari passu with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to the Maturity Date except in circumstances analogous to those referred to in Condition 6(c), 6(d) and/or 6(e); (5) preserve any existing rights under these Conditions to any accrued interest, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders but not been paid; and (6) do not include any principal loss absorption provisions, including any provisions which require the write off or write down in whole or in part of the principal amount of such securities or the conversion of such securities in whole or in part into equity; and

- (c) if the Notes are listed or admitted to trading at the time of substitution or variation, are listed or admitted to trading on a regularly operating, internationally recognised stock exchange in the EEA as selected by the Issuer.

**“Rate of Interest”** has the meaning given to it in Condition 4(a).

**“Rating Agency”** means Fitch Ratings Limited or any affiliate of or successor thereto.

**“Rating Agency Compliant Securities”** means securities which are (i) Qualifying Securities and (ii) assigned substantially the same “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower “equity credit” (provided such “equity credit” is still higher than the “equity credit” assigned to the Notes immediately after the occurrence of the Ratings Methodology Event) as that which was assigned by the Rating Agency or its predecessor to the Notes on or around the Relevant Issue Date and provided that a certification to such effect signed by two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof).

a **“Ratings Methodology Event”** will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology) as a result of which the “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to the “equity credit” assigned by the Rating Agency, or its predecessor, to the Notes on or around the Relevant Issue Date.

**“Record Date”** has the meaning set forth in Condition 7(c) (*Record Date*).

**“Register”** has the meaning set forth in Condition 1 (*Form, Denomination and Transfer*).

**“Registered Account”** means the Sterling account maintained by or on behalf of the Noteholder with a bank that processes payments in Sterling, details of which appear on the Register at the close of business on the relevant Record Date.

**“Registered Address”** means the address of a Noteholder, appearing on the Register at the close of business on the relevant Record Date.

**“Regulatory Capital Requirements”** means any applicable capital resources requirement or applicable overall financial adequacy rule required by the PRA pursuant to the Relevant Rules, as such requirements or rules are in force from time to time.

**“Regulatory Clearance Condition”** means, in respect of any proposed act on the part of the Issuer, the PRA having approved, granted permission for, consented to, or provided a non-objection to and having not withdrawn its approval, permission, consent or non-objection to, such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA, the Relevant Rules or any other applicable rules of the PRA at the relevant time).

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

**“Regulatory Deficiency Interest Deferral Event”** means:

- (a) any event (including, without limitation, any event which causes any Minimum Capital Requirement applicable to the Issuer, the Issuer Group Parent Entity or the Issuer Group to be breached and such breach is an event) which under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes; or
- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer a payment of interest (or, if applicable, Arrears of Interest) under the Notes and the PRA not having revoked such notification.

**“Regulatory Deficiency Redemption Deferral Event”** means:

- (a) any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing or any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Issuer Group Parent Entity or the Issuer Group to be breached and such Insolvent Insurer Winding-up or, as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer or suspend redemption of the Notes; or
- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer making a payment of principal under the Notes and the PRA not having revoked such notification.

**“Relevant Date”** has the meaning set forth in Condition 8(b)(iv) (*Taxation*).

**“Relevant Issue Date”** means the later of (i) the Issue Date and (ii) the issue date of any further securities issued pursuant to Condition 15 so as to be consolidated and form a single series with the Notes.

**“Relevant Jurisdiction”** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or, in either case, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the

Issuer becomes subject to tax in respect of payments made by it of principal and/or interest (including Arrears of Interest) on the Notes.

**“Relevant Rules”** means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer, the Issuer Group Parent Entity or the Issuer Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the PRA relating to such matters; and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they apply to Tier 3 Capital.

**“Senior Creditors of the Issuer”** means:

- (a) policyholders of the Issuer (if any), beneficiaries under contracts of insurance of the Issuer (if any) and any other creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (b) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those (A) whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital constitute, (i) Tier 1 Capital or (ii) Tier 2 Capital or (iii) Tier 3 Capital or (B) whose claims otherwise rank, or are expressed to rank *pari passu* with, or junior to, the claims of the Noteholders under the Notes and the Trust Deed).

**“Solvency II”** means the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation (including, without limitation, the Level 2 Regulations), a directive, application of relevant EIOPA guidelines or otherwise).

**“Solvency II Directive”** means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended).

**“Solvency Capital Requirement”** means the solvency capital requirement or the group solvency capital requirement referred to in Solvency II (howsoever described or defined in Solvency II) or any other solvency capital requirement, group solvency capital requirement or any other equivalent capital requirement (other than the Minimum Capital Requirement) howsoever described in the Relevant Rules.

**“Specified Office”** means, in relation to any Agent, either the office identified with its name in the Conditions of the Notes of the relevant series or any other office notified to any relevant parties pursuant to the Agency Agreement.

**“Subsidiary”** means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights, or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors, or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company that is a Subsidiary of a Subsidiary of the Issuer.

**“Successor in business”** has the meaning given to it in the Trust Deed.

**"Taxes"** has the meaning set forth in Condition 8(a) (*Taxation*).

**"Tax Deduction"** has the meaning set forth in Condition 8(a) (*Taxation*).

**"Tier 1 Capital"** has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules).

**"Tier 2 Capital"** has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules).

**"Tier 3 Capital"** has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules).

**"Written Resolution"** has the meaning set forth in Condition 14(a) (*Meetings of Noteholders*).