

TERMS AND CONDITIONS OF THE NOTES

The issue of the £428,113,000 6.625 per cent. Subordinated Notes due 2025 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) was (save in respect of any such further notes) authorised by resolutions of the board of directors of PGH Capital Public Limited Company (formerly PGH Capital Limited) (“**PGHC**”) passed on 10 December 2014 and 6 January 2015. The substitution of PGHC as issuer with Phoenix Group Holdings (“**PGH**”) with effect from 20 March 2017 was (save in respect of any further notes issued pursuant to Condition 17 and forming a single series with the Notes) authorised by resolutions of the Board of Directors of PGH passed on 11 May 2016 and 3 February 2017. The substitution as issuer of PGH with Phoenix Group Holdings plc with effect from 12 December 2018 (the “**Substitution Date**”) was (save in respect of any further notes issued pursuant to Condition 17 and forming a single series with the Notes) authorised by a resolution of the Board of Directors of Phoenix Group Holdings plc ((or any substitute therefor from time to time pursuant to the terms of Condition 14), the “**Issuer**”) passed on 15 October 2018.

The Notes are constituted by a trust deed dated 23 January 2015, as amended and restated by the amended and restated trust deeds dated 20 March 2017 and 12 December 2018 (together, the “**Trust Deed**”) between PGH, the Issuer and Citibank, N.A., London Branch (the “**Trustee**”, which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the paying agency agreement dated 23 January 2015 as supplemented by the amended and restated agency agreements dated 20 March 2017 and 12 December 2018 (together, the “**Agency Agreement**”) relating to the Notes between PGH, the Issuer, the Trustee, Citigroup Global Markets Europe AG as registrar (the “**Registrar**”, which expression shall include any successor thereto) and Citibank, N.A., London Branch as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereto and any additional transfer agents appointed thereunder) and as initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the “**Paying Agents**”, which expression shall include any successors thereto) are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

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

1 Form, Denomination and Title

(a) *Form and Denomination*

The Notes are issued in registered form in principal amounts of £100,000 and integral multiples of £1,000 in excess thereof (referred to as the “**principal amount**” of a Note, and references in these Conditions to “**principal**” in relation to a Note shall be construed accordingly) without coupons attached. A certificate (each a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar (the “**Register**”) on which shall be entered the names, addresses and account details of Noteholders and the particulars of the Notes held by them and of all transfers and repayments of Notes.

(b) *Title*

Title to the Notes passes only by transfer and registration in the Register. The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**holder**” means the person against whose name a Note is registered in the Register (or, in the case of joint holders, the first named thereof). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

2 Transfers of Notes and Issue of Certificates

(a) *Transfers*

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

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

(b) *Delivery of new Certificates*

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

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

(c) *Formalities free of charge*

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

(d) *Closed periods*

No Noteholder may require the transfer of a Note (or part thereof) to be registered during the period of 15 days ending on the due date for any payment of principal or interest or during the period following delivery of a notice of a voluntary payment of Arrears of Interest in accordance with Condition 6(d) and Condition 13 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest.

(e) *Regulations*

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

3 Status of the Notes

(a) *Status*

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

(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 Condition 20) of the Issuer in accordance with the provisions of Condition 14); 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 the 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 (including, without limitation, obligations pursuant to a guarantee) which are, or have been, incurred by the Issuer in relation to a financing transaction where some or all of the initial proceeds from the relevant financing transaction have been on-lent by the Issuer or any Subsidiary of the Issuer to any member of the Insurance Group in a form having the characteristics to qualify as Tier 2 Capital as at the date such on-loan is made and (ii) all claims of holders of other subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, *pari passu* with the Notes (together, “**Parity Obligations of the Issuer**”); and
- (B) in priority to (i) the claims of holders of any undated or perpetual subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee), (ii) the claims of holders of any subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) 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 (together, the “**Junior Obligations of the Issuer**”).

(c) *Further Consequences of an Issuer Winding-Up*

- (i) *This Condition is intentionally left blank.*
- (ii) *This Condition is intentionally left blank.*
- (iii) *This Condition is intentionally left blank.*
- (iv) 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)(iv)), 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:

- (i) 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; and
- (ii) the Insurance Group Borrower 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 Insurance Group Borrower could, if the Notes were issued by the Insurance Group Borrower, make such payment and still be solvent immediately thereafter (disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the Tier 2 On-Loan),

(together, the “**Solvency Condition**”).

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

For the purposes of this Condition 3(d), the Insurance Group Borrower will be solvent if (i) it is able to pay its debts owed to Senior Creditors of the Insurance Group Borrower and Parity Creditors of the Insurance Group Borrower as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons in their capacity as Junior Creditors of the Insurance Group Borrower).

A certificate as to the solvency or lack thereof of the Issuer signed by two Directors 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.

A certificate as to the solvency or lack thereof of the Insurance Group Borrower signed by two Directors of the Issuer or the Insurance Group Borrower or, if there is a winding-up or administration of the Insurance Group Borrower, the liquidator or, as the case may be, the administrator of the Insurance Group Borrower shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and

shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) *Set off, etc.*

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

4 Guarantee

This Condition is intentionally left blank.

5 Interest

(a) *Interest Rate and Interest Payment Dates*

Each Note bears interest on its principal amount at the rate of 6.625 per cent. per annum (the “**Interest Rate**”) from (and including) the Issue Date to (but excluding) the Maturity Date (or such later date as the Notes become due for redemption in accordance with these Conditions) and shall (subject to Conditions 3(d) and 6) be payable annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5.

Accordingly, the amount of interest payable (subject to Conditions 3(d) and 6 and subject as set out below in respect of the first Interest Period) on each Interest Payment Date shall be £66.25 per Calculation Amount (as defined below).

The first Interest Period shall be a short first Interest Period for the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and the amount of interest payable (subject to Conditions 3(d) and 6) on the first Interest Payment Date shall be £59.72 per Calculation Amount.

(b) *Interest Accrual*

Interest shall cease to accrue on each Note on the due date for redemption (which due date shall, in the case of deferral of a redemption date in accordance with Condition 8(b), be the latest date to which redemption of the Notes is so deferred) unless payment is improperly withheld or refused, in which event interest shall continue to accrue (in each case, both before and after judgment) as provided in the Trust Deed.

(c) *Calculation of interest*

Save as set out below, where it is necessary to compute an amount of interest payable in respect of any Note for a period that is equal to or shorter than an Interest Period (as defined below), such interest shall be calculated on the basis of 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 actual number of days in the Interest Period in which the relevant period falls.

Where it is necessary to compute an amount of interest payable in respect of any Note for a period ending prior to the first Interest Payment Date, such interest shall be calculated on the basis of the actual number of days for the period from (and including) the Issue Date to (but excluding) the relevant payment date divided by 365.

Where interest is to be calculated in respect of a period which is longer than one Interest Period, the interest payable in respect of each Note shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the sum of: (x) the actual number of days in the Calculation Period falling in the Interest Period in which it begins divided by the actual number of days in such Interest Period or, in the case of the first Interest Period, 365; and (y) the number of days in the Calculation Period falling in the next Interest Period divided by the actual number of days in such Interest Period and rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Note divided by the Calculation Amount.

For the purposes of this Condition 5(c):

“**Calculation Amount**” means £1,000 in principal amount of the Notes; and

“**Calculation Period**” means the relevant period for which interest is to be calculated (from and including the first day of such period to but excluding the last).

6 Deferral of Interest

(a) *Mandatory Deferral of Interest*

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 Trustee and the Principal Paying Agent of any Regulatory Deficiency Interest Deferral Date in accordance with Condition 6(e) (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 Directors of the Issuer confirming that (i) 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 (ii) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a new or further Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(b) *No default*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral by the Issuer of any payment of interest (i) on a Regulatory Deficiency Interest Deferral Date in accordance with Condition 6(a) or (ii) as a result of non-satisfaction of the Solvency Condition 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 or take any enforcement action under the Notes or the Trust Deed.

(c) *Arrears of Interest*

Any interest on the Notes not paid on an Interest Payment Date as a result of (i) any mandatory deferral of such payment of interest pursuant to Condition 6(a) or (ii) non-satisfaction of the Solvency Condition in accordance with Condition 3(d) shall, to the extent and so long as the same remains unpaid, constitute “**Arrears of Interest**”.

Arrears of Interest shall not themselves bear interest.

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

Any Arrears of Interest may (subject to Condition 3(d) 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 Principal Paying Agent and the Noteholders in accordance with Condition 13 and in any event will become due and payable by the Issuer 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 6(a)); or
- (ii) the date on which an Issuer Winding-Up occurs; or
- (iii) the date fixed for any redemption or purchase of Notes pursuant to Condition 8 (subject to any deferral of such redemption date pursuant to Condition 8(b) or Condition 11.

If either of the events set out in Conditions 6(d)(i) or (iii) occurs the Issuer promptly shall give notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 13.

(e) *Notice of Deferral*

The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in writing in accordance with Condition 13:

- (i) not less than five Business Days prior to an Interest Payment Date, if that Interest Payment Date is a Regulatory Deficiency Interest Deferral Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs (or if the 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 13 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) not less than five Business Days prior to an Interest Payment Date, if payment of any interest will not become due 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, less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 13 as soon as reasonably practicable following such circumstances occurring or being determined (and in either case such notice shall specify that interest will not be paid as a result of non-satisfaction of the Solvency Condition).

7 Payments

(a) *Payments in respect of Notes*

- (i) Payments of principal, interest and Arrears of Interest shall be made on the due date for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment. Payment of principal, interest and Arrears of Interest will be made by transfer to the registered account of the relevant Noteholder.
- (ii) Payments of principal, interest and Arrears of Interest due at the time of redemption of the Notes will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.
- (iii) For the purposes of this Condition 7, a Noteholder's registered account means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the Register at the close of business on the date falling two Business Days before the due date for payment.

(b) *Payments subject to applicable laws*

Save as provided in Condition 9, payments under the Notes will be subject in all cases to any other applicable fiscal or other laws and regulations or other laws and regulations to which the Issuer (or its Paying Agents) are or agree to be subject and the Issuer will not be liable to Noteholders for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

(c) *No commissions*

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

(d) *Payment on Business Days*

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

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

(e) *Partial payments*

If the amount of principal or interest (including, without limitation, Arrears of Interest) which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

(f) *Agents*

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

- (i) a Principal Paying Agent;

- (ii) a Registrar and a Transfer Agent;
- (iii) a Paying Agent having a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 - 27 November 2000; and
- (iv) such other agents as may be required by any stock exchange on which the Notes may be listed.

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

8 Redemption, Substitution, Variation and Purchase

(a) Redemption at Maturity

Subject to Conditions 8(b) and 8(g)(ii) and to the satisfaction of the Solvency Condition, unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 18 December 2025 (the “**Maturity Date**”), together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the Maturity Date.

(b) Deferral of redemption date

- (i) No Notes shall be redeemed on the Maturity Date pursuant to Condition 8(a) or, prior to the Maturity Date, pursuant to Condition 8(d) or 8(e) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption were made pursuant to this Condition 8.
- (ii) The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 13 no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be deferred as a result of circumstances where:
 - (1) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed on such date;
 - (2) the Solvency Condition would be breached if such redemption were to occur;
 - (3) regulatory approval (to the extent then required under the Relevant Rules) is not given for such redemption; and/or
 - (4) such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

provided that if the relevant event requiring redemption to be deferred occurs, or is determined, less than five Business Days prior to the date set for redemption, such notice shall be given as soon as reasonably practicable following the occurrence or determination of such event; and provided further that 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 the case may be, the date specified in the notice of redemption by the Issuer under Condition 8(d) or 8(e) as a result of Condition 8(b)(i) above or Condition 8(g)(ii) below, the Issuer shall (subject to Condition 8(g)(ii) and, in the case of (1) and (2) below, to satisfaction of the Solvency Condition) redeem the Notes

at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest up to (but excluding) the date fixed for redemption, upon the earliest of:

- (1) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless on such 10th 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 new or further Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 8(b)(i) and this Condition 8(b)(iii) will apply mutatis mutandis to determine the due date for redemption of the Notes); or
 - (2) the date falling 10 Business Days after the relevant regulatory approval for redemption of both the Notes (where such approval is required under the Relevant Rules) and any Tier 2 On-Loan is received; or
 - (3) the date on which an Issuer Winding-Up occurs.
- (iv) If on any date Condition 8(b)(i) does not apply, but redemption of the Notes is mandatorily deferred as a result of non-satisfaction of the Solvency Condition, such payment shall be made on the 10th Business Day immediately following the day that the Solvency Condition is satisfied, provided that the payment of such principal (together with any accrued but unpaid interest and/or any Arrears of Interest) would not result in the Solvency Condition not being satisfied. If on the date otherwise fixed for redemption pursuant to this Condition 8(b)(iv) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if such payment were to be made, then such payment shall not be made on such date and Condition 8(b)(iii) shall apply mutatis mutandis to determine the due date for payment of such principal (together with any accrued but unpaid interest and/or Arrears of Interest).
- (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 Directors of the Issuer confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the 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.
- (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 8(b), give notice to the Trustee and to the Noteholders in accordance with Condition 13 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).

(c) *Deferral of redemption not a default*

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 8(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.

(d) *Redemption, variation or substitution for taxation reasons*

Subject to Conditions 3(d), 8(b)(i) and 8(g), 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 21 January 2015 (a) on the next Interest Payment Date, the Issuer will or would be required to pay additional amounts as provided or referred to in Condition 9; 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 for a material part of such interest) in the United Kingdom; or (c) the Issuer suffers or would suffer 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 Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) either:

- (1) 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 (A) with respect to Conditions 8(d)(i)(a) above, the Issuer would be obliged to pay such additional amounts; (B) with respect to Condition 8(d)(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 a material part of it would not be so deductible) in the United Kingdom, as referred to in Condition 8(d)(i)(b) above; or (C) with respect to Condition 8(d)(i)(c) above, the relevant adverse tax consequence would arise or be suffered, in each case were a payment in respect of the Notes then due; or
- (2) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(g) 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.

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

Subject to Conditions 3(d), 8(b)(i) and 8(g), if a Capital Disqualification Event has occurred and is continuing, then the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13, the Trustee, the Principal Paying Agent and the Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) at any time redeem all (but not some only) of the Notes 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) at any time substitute all (and 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 Directors referred to in Condition 8(g) below and in the definition of “**Qualifying Securities**”) agree to such substitution or variation,

provided, however, that

- (A) the Issuer shall not be entitled to redeem the Notes pursuant to (i) above upon the occurrence of a Capital Disqualification Event if such Capital Disqualification Event has occurred as a result of any change to the terms of, or any replacement of, the Tier 2 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event; and
- (B) 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.

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

- (i) Subject to Condition 8(g), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 8(d) or 8(e) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee’s opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 8.
- (ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 8 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 8 relates, it shall be entitled to assume that no such event or circumstance exists or has arisen.

(g) Preconditions to redemption, variation, substitution and purchases

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(d) or 8(e), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that either:
 - (1) one or more of the requirements referred to in Condition 8(d)(i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; or

- (2) a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and that such Capital Disqualification Event did not occur as a result of any change to the terms of, or any replacement of, the Tier 2 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event;

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

In the case of (1) 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 8(d)(i) above 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 (1) 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 (1) 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:
 - (1) the Issuer and the Insurance Group being in continued compliance with the Regulatory Capital Requirements (if any) applicable to them;
 - (2) the Issuer having complied with the Regulatory Clearance Condition;
 - (3) in the case of any redemption or purchase of the Notes prior to the sixth anniversary of the Issue Date, the Issuer replacing the Notes with, or repaying the Notes out of the proceeds of a new issue of, capital having the characteristics of Tier 2 Capital or a better quality form of regulatory capital; and
 - (4) compliance with any other applicable requirements of the Relevant Rules regarding redemption, purchase, substitution or variation (as the case may be) of the Notes.

A certificate from any two Directors 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 be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(h) Compliance with stock exchange rules

In connection with any substitution or variation of the Notes in accordance with Condition 8(d) or Condition 8(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.

(i) *Purchases*

Subject to Condition 8(g)(ii), the Issuer or any of the Issuer's Subsidiaries may at any time purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be held, reissued, resold or, at the option of the relevant purchaser, surrendered for cancellation to the Registrar.

(j) *Cancellations*

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

9 Taxation

(a) *Payment without withholding*

All payments of principal, interest and Arrears of Interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) *Other connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (ii) *Lawful avoidance of withholding*: by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Certificate is presented for payment; or
- (iii) *Surrender more than 30 days after the Relevant Date*: where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or
- (iv) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 - 27 November 2000; or
- (v) *Payment by another Paying Agent*: where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Certificate to another Paying Agent in a European Union Member State (provided that there is such a Paying Agent appointed at the relevant time).

“**Relevant Date**” in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

(b) *Additional Amounts*

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

10 Prescription

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

11 Events of Default

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

- (i) This Condition is intentionally left blank.
- (ii) Issuer non-payment and Issuer Winding-Up: If (1) 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), 6(a) and 8(b), or (2) an Issuer Winding-Up occurs, 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):
 - (x) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest; and
 - (y) institute proceedings for the winding-up of the Issuer and/or prove in the relevant winding up or administration of the Issuer and/or claim in the liquidation of the Issuer (in which regard Conditions 3(b) and 3(c) will apply, as appropriate), 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.
- (iii) This Condition is intentionally left blank.

(b) *Enforcement*

Without prejudice to Condition 11(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in

this Condition 11(b) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 11(a).

(c) *Entitlement of Trustee*

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

(d) *Right of Noteholders*

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding up or 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 11.

(e) *Extent of Noteholders' remedy*

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

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.

12 Replacement of Certificates

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

13 Notices

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

14 Substitution of Issuer

(a) *Discretion to agree to substitution*

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

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

any such substitute, and any substitute pursuant to a Newco Scheme as described below, being a “**Substituted Obligor**”.

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

(b) *Mandatory substitutions*

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

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

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

(c) *Change in law*

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

(d) *Notice to Noteholders*

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

15 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) *Meetings of Noteholders*

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

The Trust Deed also provides that a written resolution executed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or 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 holders of not less than 75 per cent. in principal amount of the Notes outstanding who would have been entitled to vote upon it if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8(d) or 8(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 or upon the substitution of a Newco pursuant to Condition 14.

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

In addition to the requirements of Conditions 8(d), 8(e) and 14, the Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 8(d) or 8(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 or upon the substitution of a Newco pursuant to Condition 14.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard

to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

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

16 Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

(b) *Trustee contracting with the Issuer*

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

(c) *Reports and certificates*

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

17 Further Issues

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

18 Governing Law

(a) *Governing law*

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

(b) *Jurisdiction*

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

19 Rights of Third Parties

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

20 Defined Terms

In these Conditions:

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

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

“**Arrears of Interest**” has the meaning given in Condition 6(c);

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

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

a “**Capital Disqualification Event**” shall be deemed to have occurred if:

- (1) at any time, as a result of (a) any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), (b) the implementation of Solvency II or the Relevant Rules implementing Solvency II or (c) any change to Solvency II (or change to the interpretation of Solvency II by any court or authority entitled to do so) following its implementation:
 - (A) in circumstances where the Issuer is not a member of the Insurance Group at that time, no part of the principal amount of the Tier 2 On-Loan counts or qualifies;
 - (B) in circumstances where the Issuer is a member of the Insurance Group at that time, no part of the principal amount of the Notes counts or qualifies; or
 - (C) in the circumstances where such capability to count derives only from transitional or grandfathering provisions under Solvency II or the Relevant Rules, as appropriate, some but not all of (x) the Tier 2 On-Loan (where the Issuer is not a member of the Insurance Group at that time) or (y) the principal amount of the Notes (where the Issuer is a member of the Insurance Group at that time) counts or qualifies,

as Tier 2 Capital for the purposes of at least one of the Insurance Group, the Insurance Group Borrower or any other insurance or reinsurance undertaking within the Insurance Group on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation by virtue of the transitional or grandfathering provisions referred to in (C) above); and

- (2) in the case of (A) and (C)(x) above, the Issuer was unable to prevent such event occurring and is unable to remedy such event without amending the Tier 2 On-Loan, in each case by taking reasonable measures available to it; or
- (3) in the case of (B) and (C)(y) above, the Issuer (x) was unable to prevent such event occurring and (y) is unable to remedy such event, in each case by taking reasonable measures available to it;

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

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

“**Corresponding Payment**” means, with respect to any scheduled payment by the Issuer in respect of the Notes on any date, any corresponding scheduled payment by the Insurance Group Borrower in respect of the Tier 2 On-Loan on or around the same date, and shall more particularly include:

- (a) with respect to any payment of interest (including, without limitation, any Arrears of Interest) in respect of the Notes on any date, the equivalent interest payment scheduled to be paid by the Insurance Group Borrower in respect of the Tier 2 On-Loan on or around the same date; and
- (b) with respect to any payment of principal in respect of the Notes on any date, the equivalent principal repayment scheduled to be made by the Insurance Group Borrower in respect of the Tier 2 On-Loan on or around the same date;

“**Directors**” means the directors of the Issuer, the Insurance Group Borrower or a Substituted Obligor (as the case may be) from time to time;

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

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Insolvent Insurer Winding-up**” means:

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

(in either case, other than the Issuer in circumstances where the Issuer is a member of the Insurance Group) where the claims of the policyholders of the insurance undertaking which is in winding-up or administration may or will not be met in full (and for these purposes, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have);

“Insurance Group” means the Insurance Group Parent Entity and its Subsidiaries;

“Insurance Group Borrower” means, at any time, the entity (being a member of the Insurance Group) which is at such time the borrower under the Tier 2 On-Loan;

“Insurance Group Parent Entity” means the Issuer or any other Subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant EEA 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;

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

“Interest Payment Date” means 18 December in each year, commencing on 18 December 2015;

“Interest Period” means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“Interest Rate” has the meaning given to it in Condition 5(a);

“Issue Date” means 23 January 2015;

“Issuer” has the meaning given in the preamble to these Conditions;

“Issuer Winding-Up” has the meaning given in Condition 3(b);

“Junior Creditors of the Insurance Group Borrower” means creditors of the Insurance Group Borrower in relation to (i) claims in respect of undated or perpetual subordinated obligations of the Insurance Group Borrower where the principal amount of such obligations was issued or incurred after the Issue Date, (ii) any other claims that rank, or are expressed to rank, junior to the claims of the Issuer against the Insurance Group Borrower pursuant to the Tier 2 On-Loan and (iii) any share capital of the Insurance Group Borrower;

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

“Junior Obligations of the Issuer” has the meaning given in Condition 3(b);

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

“London Stock Exchange” means the London Stock Exchange plc;

“Maturity Date” has the meaning given in Condition 8(a);

“Member State” means a member of the European Economic Area;

“**Newco**” has the meaning ascribed to it in the definition of Newco Scheme;

“**Newco Scheme**” means a scheme of arrangement or analogous proceeding (“**Scheme of Arrangement**”) which effects the interposition of a limited liability company (“**Newco**”) between the shareholders of the Issuer immediately prior to the Scheme of Arrangement (the “**Existing Shareholders**”) and the Issuer; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

“**Noteholder**” has the meaning given in Condition 1(b);

“**Notes**” has the meaning given in the preamble to these Conditions;

“**Parity Creditors of the Insurance Group Borrower**” means creditors of the Insurance Group Borrower whose claims rank, or are expressed to rank, *pari passu* with the claims of the Issuer pursuant to the Tier 2 On-Loan;

“**Parity Creditors of the Issuer**” means 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);

“**Paying Agents**” has the meaning given in the preamble to these Conditions;

“**PRA**” means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Insurance Group and/or the Insurance Group Parent Entity;

“**Principal Paying Agent**” has the meaning given in the preamble to these Conditions;

“**Proceedings**” has the meaning given to it in Condition 18(b);

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

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Directors 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 2 Capital insofar as practicable; (2) bear at least the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank 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 8(d) and 8(e) of the Notes; (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) are listed or admitted to trading on the London Stock Exchange's regulated market (for the purposes of Directive 2004/39/EC) or such other regularly operating, internationally recognised stock exchange in the EEA as selected by the Issuer and approved by the Trustee;

“**Register**” has the meaning given in Condition 1(a);

“**Registrar**” has the meaning given in the preamble to these Conditions;

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

“**Regulatory Clearance Condition**” means, in respect of any proposed act on the part of the Issuer, the PRA having approved, granted permission for, consented to, or having been given due notification of and having not within any applicable time-frame objected to, such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA or any 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:

- (i) 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 applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance Group to be breached and the continuation of such Insolvent Insurer Winding-up or, as the case may be, such breach is an event) which under the Relevant Rules means that (a) the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and/or (b) the Insurance Group Borrower would be required to defer the relevant payment of interest if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 2 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of an interest payment if a Regulatory Deficiency Interest Deferral Event would occur if such interest payment were to be made, such payment shall be deferred if a Regulatory Deficiency Interest Deferral Event would occur as a result of payment of the relevant interest amount by either the Issuer or (on the basis referred to in (b) above and disregarding, for this purpose only, any

Corresponding Payment made or to be made by it under the Tier 2 On-Loan) the Insurance Group Borrower); or

- (ii) 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 under the Notes and the PRA not having revoked such notification; or
- (iii) the PRA having notified the Insurance Group Borrower 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 Insurance Group Borrower must defer the Corresponding Payment under the Tier 2 On-Loan and the PRA not having revoked such notification;

“Regulatory Deficiency Redemption Deferral Event” means:

- (i) 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 applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance 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 (a) the Issuer must defer or suspend redemption of the Notes and/or (b) the Insurance Group Borrower would be required to suspend or defer redemption of the Notes if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 2 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of redemption if a Regulatory Deficiency Redemption Deferral Event would occur if such redemption (or a redemption payment in respect thereof) were to be made, such redemption shall be deferred if a Regulatory Deficiency Redemption Deferral Event would occur as a result of payment of the relevant redemption amounts by either the Issuer or (on the basis referred to in (b) above and disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the Tier 2 On-Loan) the Insurance Group Borrower); or
- (ii) 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; or
- (iii) the PRA having notified the Insurance Group Borrower 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 Insurance Group Borrower must defer the Corresponding Payment under the Tier 2 On-Loan and the PRA not having revoked such notification;

“Relevant Date” has the meaning given in Condition 9(a);

“Relevant Jurisdiction” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject to tax in respect of payments made by it of principal and/or interest (including Arrears of Interest) on the Notes;

“Relevant Rules” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the United Kingdom from time to time and applying to the Issuer, the Insurance Group Parent Entity or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency I, Solvency II and any legislation, rules or regulations relating to

such matters which are supplementary or extraneous to the obligations imposed on Member States by Solvency I or Solvency II;

“**Scheme of Arrangement**” has the meaning ascribed to it in the definition of Newco Scheme;

“**Senior Creditors of the Insurance Group Borrower**” means:

- (a) policyholders of the Insurance Group Borrower (if any) and any other creditors of the Insurance Group Borrower who are unsubordinated creditors of the Insurance Group Borrower; and
- (b) other creditors of the Insurance Group Borrower whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Insurance Group Borrower but not further or otherwise (and excluding those creditors (i) whose claims are in respect of obligations of the Insurance Group Borrower which are in a form having the characteristics to qualify as Tier 2 Capital or (ii) whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Issuer against the Insurance Group Borrower pursuant to the Tier 2 On-Loan);

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

- (a) policyholders of the Issuer (if any) and any other creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer but not further or otherwise (other than those whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Noteholders under the Notes and the Trust Deed including (without limitation) holders of Parity Obligations of the Issuer and/or Junior Obligations of the Issuer);

“**Solvency I**” means the directives adopted by the Parliament and Council of the European Union relating to the taking-up and pursuit of insurance business within the European Union (excluding the Solvency II Directive) and including, without limitation, Directive 2002/83/EC of the European Union (as amended) and Directive 98/78/EC of the European Union (as amended) on the supplementary supervision of insurance undertakings in an insurance group;

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

“**Solvency II Directive**” means Directive 2009/138/EC of the European Union (as amended) on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by Member States pursuant to Article 309 of Directive 2009/138/EC;

“**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 howsoever described in the Relevant Rules (including, for the avoidance of doubt, any minimum capital requirement);

“**Solvency Condition**” has the meaning given in Condition 3(d);

“**sterling**” or “**£**” means the lawful currency of the United Kingdom from time to time;

“**Subsidiary**” has the meaning given to that term under section 1159 of the Companies Act;

“**Substitution Date**” means 12 December 2018;

“**successor in business**” has the meaning, with respect to the Issuer, given in the Trust Deed;

“**Tier 1 Capital**” and “Tier 2 Capital” have the respective meanings given to them by the Relevant Rules;

“**Tier 2 On-Loan**” means the on-loan of the proceeds of the Notes made by the Issuer to the Insurance Group Borrower in a form having the characteristics to qualify as Tier 2 Capital;

“**Transfer Agent**” has the meaning ascribed to it in the preamble to the Conditions;

“**Trust Deed**” has the meaning given in the preamble to these Conditions; and

“**Trustee**” has the meaning given in the preamble to these Conditions.