



## LEGAL & GENERAL GROUP PLC

(incorporated with limited liability in England & Wales with registered no. 01417162)

## LEGAL & GENERAL FINANCE PLC

(incorporated with limited liability in England & Wales with registered no. 02338444)

**£5,000,000,000**

## EURO NOTE PROGRAMME

*guaranteed (in the case of Notes issued by Legal & General Finance PLC) by*

## LEGAL & GENERAL GROUP PLC

Under the Euro Note Programme described in this Prospectus (the “Programme”), Legal & General Finance PLC (“L&GF”) and Legal & General Group Plc (“L&G” or “Legal & General”) (each an “Issuer” and, together, the “Issuers”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes guaranteed, in the case of Notes issued by L&GF, by L&G (in such capacity, the “Guarantor”) (the “Notes”). The Notes may be issued as senior obligations (“Senior Notes”) by L&GF or L&G or as subordinated obligations (“Subordinated Notes”) by L&G only. The Subordinated Notes may be issued as dated subordinated notes with terms capable of qualifying as Tier 2 Capital (as defined herein) (“Dated Tier 2 Notes”), as undated notes with terms capable of qualifying as Tier 2 Capital (as defined herein) (“Undated Tier 2 Notes” and, together with the Dated Tier 2 Notes, the “Tier 2 Notes”), as dated subordinated notes with terms capable of qualifying as Tier 3 Capital (as defined herein) (“Dated Tier 3 Notes”), or as undated subordinated notes with terms capable of qualifying as Tier 3 Capital (as defined herein) (“Undated Tier 3 Notes” and, together with the Dated Tier 3 Notes, the “Tier 3 Notes”). The aggregate nominal amount of Notes outstanding will not at any time exceed £5,000,000,000 (or the equivalent in other currencies), subject to the right of the Issuers to increase such amount in accordance with the terms of the Distribution Agreement (as defined herein).

This Prospectus has been approved as a base prospectus (the “Prospectus”) by the United Kingdom Financial Conduct Authority (the “FCA”), which is the United Kingdom competent authority (in such capacity, the “UK Listing Authority”) for the purposes of Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the “Prospectus Directive”) and relevant implementing measures in the United Kingdom and provides information with regard to L&G, L&GF and L&G’s subsidiaries (each a “Subsidiary” and, together with L&G, the “Group”) which, according to the particular nature of the Issuer, the Notes and, as appropriate, the Guarantor, is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses and prospects of the Issuer and, as appropriate, the Guarantor.

Application has been made to the UK Listing Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (“FSMA”) for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the Main Market of the London Stock Exchange (the “Market”). References in this Prospectus to Notes being “listed” (and all related references) shall, unless the context otherwise requires, mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on Markets in financial instruments.

Each Series (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “temporary Global Note”) or a permanent global note in bearer form (each a “permanent Global Note”). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“NGN”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, SA (“Clearstream, Luxembourg”). Notes in registered form will be represented by registered certificates (each a “Certificate”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates (each a “Global Certificate”). If a Global Certificate is held under the New Safekeeping Structure (the “NSS”), the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form (“Classic Global Notes” or “CGNs”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “Common Depository”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described herein under “Summary of Provisions Relating to the Notes while in Global Form”.

Tranches of Notes (as defined in the “Overview of the Programme”) to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. As at the date of this Prospectus, L&G’s long term senior debt ratings are A3 (Moody’s Investors Service Limited (“Moody’s”)), A (Standard & Poor’s Credit Market Services Europe Limited (“S&P”)), A+ (Fitch Ratings Ltd (“Fitch”)) and a (A.M. Best Europe Rating Services Limited (“A.M. Best”)) and L&G’s long term senior debt rating is A3 (Moody’s). The credit ratings included or referred to in this Prospectus will be treated for the purposes of the Regulation (EC) No. 1060/2009 on credit rating agencies (the “CRA Regulation”) as having been issued by Moody’s, S&P, Fitch or A.M. Best, as the case may be. Moody’s, S&P, Fitch and A.M. Best are each established in the European Union and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Notes to be issued under the Programme may be calculated by reference to EURIBOR and LIBOR, which are provided by the European Money Markets Institute and ICE Benchmark Administration Limited respectively. As at the date of this Prospectus, the European Money Markets Institute and ICE Benchmark Administration Limited do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to article 36 of Regulation (EU) 2016/1011 (the “Benchmarks Regulation”). As far as the Issuers are aware, the transitional provisions in article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute and ICE Benchmark Administration Limited are not currently required to obtain authorisation or registration.

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.**

*Arranger*  
**NatWest Markets**  
*Dealers*

**BofA Merrill Lynch**  
**BNP PARIBAS**  
**Deutsche Bank**  
**HSBC**  
**Morgan Stanley**

**Barclays**  
**Citigroup**  
**Goldman Sachs International**  
**J.P. Morgan Cazenove**  
**NatWest Markets**

23 March 2018

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

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

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

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by L&G, L&GF, the Dealers and the Arranger to inform themselves about, and to observe, any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “Subscription and Sale”.

**IMPORTANT – EEA RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (“IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE/TARGET MARKET** – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID product governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of L&G, L&GF or the Dealers to subscribe for, or purchase, any Notes.**

**To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement made, or purported to be made, by the Arranger or a Dealer or on its behalf in connection with the Issuers, the Guarantor, or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to constitute and should not be considered as a recommendation by any of L&G, L&GF, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of L&G or L&GF during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.**

**In connection with the issue of any Tranche (as defined in “Overview of the Programme”), the Dealer or Dealers (if any) appointed as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

**Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:**

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;**
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;**
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and**
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

**Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to a potential investor’s overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio.**

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

**In this Prospectus, unless otherwise specified or the context otherwise requires, references to “£”, “pounds”, “pounds sterling” and “pence” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (“United Kingdom” or “UK”), references to “U.S. dollars” and “U.S.\$” are to the lawful currency of the United States of America (“United States” or “US”), references to “yen” or “¥” are to the lawful currency of Japan and references to “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.**

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

- (a) the annual report and the audited consolidated annual financial statements of L&G for the financial year ended 31 December 2016, together with the audit report thereon;
- (b) the annual report and the audited consolidated annual financial statements of L&G for the financial year ended 31 December 2017, together with the audit report thereon;
- (c) the audited annual financial statements of L&GF for the financial year ended 31 December 2016, together with the audit report thereon (which appear at pages 6 to 26 (inclusive) of L&GF's Report and Accounts 2016);
- (d) the audited annual financial statements of L&GF for the financial year ended 31 December 2017, together with the audit report thereon (which appear at pages 6 to 22 (inclusive) of L&GF's Report and Accounts 2017); and
- (e) the Solvency and Financial Condition Report of L&G for the financial year ended 31 December 2016,

which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority (the "FCA") or filed with it. The relevant sections of such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained therein which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any supplemental prospectus prepared pursuant to Section 87 of the FSMA modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. The financial statements for L&G as detailed in paragraphs (a) and (b) above were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS") and the financial statements for L&GF as detailed in paragraphs (c) and (d) above were prepared in accordance with applicable law and UK Generally Accepted Accounting Practice.

The parts of the above mentioned documents which are not incorporated by reference into this Prospectus are either not relevant for investors or covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the registered office of the Issuers at One Coleman Street, London EC2R 5AA, from the specified office of the Issuing and Paying Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and from the website of the Regulatory News Service operated by the London Stock Exchange at: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

### Alternative Performance Measures

Certain alternative performance measures ("APMs") are included or referred to in this Prospectus (including the annual report and audited consolidated annual financial statements of L&G for the financial year ended 31 December 2017 incorporated by reference). APMs are non-GAAP measures used by the Group within its financial publications to supplement disclosures prepared in accordance with other regulations such as IFRS and the Solvency II Directive. We consider that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric's components and calculation method can be found at pages 257 to 264 (incorporated by reference herein) of the annual report and audited consolidated annual financial statements of L&G for the financial year ended 31 December 2017.

## **SUPPLEMENTAL PROSPECTUS**

If at any time L&GF or L&G shall be required to prepare a supplemental prospectus pursuant to Section 87G of the FSMA, L&GF and L&G will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

Each of L&GF and L&G has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Prospectus which is capable of affecting the assessment of any Notes, the inclusion of which would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of L&GF and L&G and the rights attaching to the Notes, L&GF and L&G shall prepare an amendment or supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such amendment or supplement hereto, or replacement hereof, as such Dealer may reasonably request.

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## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Prospectus. Capitalised expressions used below in this overview have the definitions ascribed to them in the Terms and Conditions of the Tier 2 Notes and Terms and Conditions of the Tier 3 Notes, as appropriate, unless otherwise defined in this Prospectus.*

<b>Issuers:</b>	Legal & General Group Plc. Legal & General Finance PLC.
<b>Guarantor:</b>	Legal & General Group Plc (in the case of Notes issued by Legal & General Finance PLC).
<b>Description:</b>	Euro Note Programme.
<b>Size:</b>	Up to £5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time, subject to the right of the Issuers to increase such amount which is in turn subject to the terms of the Distribution Agreement dated 8 April 2003 (as amended and restated on, <i>inter alia</i> , 23 March 2018 and as amended or supplemented as at the Issue Date (as defined therein), the “Distribution Agreement”).
<b>Arranger:</b>	The Royal Bank of Scotland plc (trading as NatWest Markets).
<b>Dealers:</b>	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc (trading as NatWest Markets).  The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent, Registrar and Calculation Agent:</b>	Citibank, N.A., London Branch
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant final terms document (the “Final Terms”).



<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
<b>Form of Notes:</b>	The Notes may be issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined below in the summary of the “Selling Restrictions” in this Overview of the Programme), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by Global Certificates.
<b>Clearing Systems:</b>	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
<b>Initial Delivery of Notes:</b>	On or before the issue date for each Tranche, if the relevant Global Note is an NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
<b>Currencies:</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.
<b>Maturities:</b>	Subject to compliance with all relevant laws, regulations, directives and requirements of the Relevant Regulator, Senior Notes, Dated Tier 3 Notes and Dated Tier 2 Notes may have any maturity and Undated Tier 3 Notes and Undated Tier 2 Notes will be perpetual and will not have a stated maturity.
<b>Specified Denomination:</b>	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) all Notes issued pursuant to the Programme will have a minimum specified denomination of €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise

permitted by then current laws and regulations, Notes which have a maturity of less than one year from the date of issue will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Notes:**

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

**Fixed Rate Reset Notes:**

Fixed Rate Reset Notes, which may only be Subordinated Notes, will bear interest at the fixed rate per cent. per annum specified in the relevant Final Terms until the Reset Date specified in the relevant Final Terms or, if more than one Reset Date is specified, the first Reset Date specified in the Final Terms. On the Reset Date (or on each Reset Date, if more than one Reset Date is specified), the Rate of Interest will be reset to the aggregate of the applicable Subsequent Reset Reference Rate, the applicable Initial Credit Spread and the applicable Step-Up Margin, as determined by the Calculation Agent.

**Fixed to Floating Rate Notes:**

Fixed to Floating Rate Notes, which may only be Subordinated Notes, will bear interest:

- (i) from the Interest Commencement Date to but excluding until the Fixed Rate End Date specified in the relevant Final Terms, at the fixed rate per cent. per annum specified in the relevant Final Terms; and
- (ii) from and including the Fixed Rate End Date specified in the relevant Final Terms, as if they were Floating Rate Notes.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series; or
- (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.

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

Interest periods will be specified in the relevant Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates

in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption:**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Redemption of Dated Tier 3 Notes and Dated Tier 2 Notes prior to their stated maturity is subject to prior written notice to, and the absence of objection from, the Relevant Regulator (as more fully described in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, respectively). Undated Tier 3 Notes and Undated Tier 2 Notes have no Final Maturity and are only redeemable or repayable subject to prior written notice to, and the absence of objection from, the Relevant Regulator (as more fully described in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, respectively).

**Optional Redemption:**

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

**Status of the Senior Notes:**

The Senior Notes and the Guarantee in respect of the Senior Notes of L&GF guaranteed by the Guarantor constitute direct, unsecured and unsubordinated obligations of the relevant Issuer and the Guarantor, respectively.

**Status of the Tier 3 Notes:**

The Dated Tier 3 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as provided in the Terms and Conditions of the Tier 3 Notes) or administration of the Issuer, the payment obligations of the Issuer under the Dated Tier 3 Notes shall be subordinated to the claims of all Senior Creditors (as defined as applicable thereto in the Terms and Conditions of the Tier 3 Notes) of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 3 Capital, and shall rank in priority to: (i) all obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions); and (ii) the claims of the holders of all classes of share capital of the Issuer.

The Undated Tier 3 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as provided in the Terms and Condition of the Tier 3 Notes) or administration of the Issuer, the payment obligations of the Issuer under the Undated Tier 3 Notes shall be subordinated to the claims of all Senior Creditors (as defined as applicable thereto in the Terms and Conditions of the Tier 3

Notes) of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 3 Capital and shall rank in priority to: (i) all obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions); and (ii) the claims of holders of all classes of share capital of the Issuer.

Except as provided in Condition 3(b) of the Terms and Conditions of the Tier 3 Notes, all payments in respect of the Tier 3 Notes shall be conditional upon the Issuer being solvent (as contemplated by the Terms and Conditions of the Tier 3 Notes) at the time on which the payment by the Issuer would otherwise be due, and no amount shall be payable in respect of the Tier 3 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.

**Interest Deferral – Tier 3 Notes:**

If Optional Interest Payment Date is specified in the relevant Final Terms, the Issuer may on any Optional Interest Payment Date defer payments of interest on Tier 3 Notes. The Issuer is required to defer any payment of interest on Tier 3 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition (as described in further detail in the Terms and Conditions of the Tier 3 Notes).

**Status of the Tier 2 Notes:**

The Dated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as provided in the Terms and Conditions of the Tier 2 Notes) or administration of the Issuer, the payment obligations of the Issuer under the Dated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined as applicable thereto in the Terms and Conditions of the Tier 2 Notes) of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 2 Capital (other than Existing Undated Tier 2 Securities), and shall rank in priority to: (i) the claims of holders of Existing Undated Tier 2 Securities; (ii) all obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions); and (iii) the claims of the holders of all classes of share capital of the Issuer.

The Undated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as provided in the Terms and Condition of the Tier 2 Notes) or administration of the Issuer, the payment

obligations of the Issuer under the Undated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined as applicable thereto in the Terms and Conditions of the Tier 2 Notes) of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 2 Capital (other than Existing Undated Tier 2 Securities) and shall rank in priority to: (i) the claims of holders of Existing Undated Tier 2 Securities; (ii) all obligations of the Issuer which constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions); and (iii) the claims of holders of all classes of share capital of the Issuer.

Except as provided in Condition 3(b) of the Terms and Conditions of the Tier 2 Notes, all payments in respect of the Tier 2 Notes shall be conditional upon the Issuer being solvent (as contemplated by the Terms and Conditions of the Tier 2 Notes) at the time on which the payment by the Issuer would otherwise be due, and no amount shall be payable in respect of the Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.

**Interest Deferral – Tier 2 Notes:**

The Issuer may on any Optional Interest Payment Date defer payments of interest on Tier 2 Notes. The Issuer is required to defer any payment of interest on Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition (as described in further detail in the Terms and Conditions of the Tier 2 Notes).

**Negative Pledge:**

Applicable to Senior Notes only (see Condition 4 of the Terms and Conditions of the Senior Notes).

**Cross Default:**

Applicable to Senior Notes only (see Condition 10 of the Terms and Conditions of the Senior Notes).

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

The Tier 2 Notes may (if a Call Option is specified in the relevant Final Terms) be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest, at the option of the Issuer, on any Optional Redemption Date, subject as provided in Condition 6 of the Terms and Conditions of the Tier 2 Notes. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified in the relevant Final Terms) or a Rating Methodology Event (if a Rating Methodology Call is specified in the relevant Final Terms), the Tier 2 Notes may be (i) substituted by, or their terms varied so that they become, Qualifying Tier 2 Securities or Rating Agency Compliant Securities, whichever is relevant; or (ii) redeemed, in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together, in each case, with any interest accrued to (but excluding)

the date of redemption and any Arrears of Interest, subject as provided in Condition 6 of the Terms and Conditions of the Tier 2 Notes.

The Tier 3 Notes may (if a Call Option is specified in the relevant Final Terms) be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest, at the option of the Issuer, on any Optional Redemption Date, subject as provided in Condition 6 of the Terms and Conditions of the Tier 3 Notes. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified in the relevant Final Terms) or a Rating Methodology Event (if a Rating Methodology Call is specified in the relevant Final Terms), the Tier 3 Notes may be (i) substituted by, or their terms varied so that they become, Qualifying Tier 3 Securities or Rating Agency Compliant Securities, whichever is relevant; or (ii) redeemed, in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together, in each case, with any interest accrued to (but excluding) the date of redemption and any Arrears of Interest, subject as provided in Condition 6 of the Terms and Conditions of the Tier 3 Notes.

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

**Withholding Tax:**

All payments of principal and interest in respect of the Notes and the Coupons or under the Guarantee (in the case of Notes issued by L&GF) will be made without deduction or withholding for or on account of United Kingdom taxes, unless such deduction or withholding is required by law. In the event that any such deduction or withholding is required by law to be made in respect of a payment of interest in respect of the Notes, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances (as further described in Condition 8 of the Terms and Conditions of the Senior Notes, Condition 8 of the Terms and Conditions of the Tier 3 Notes and Condition 8 of the Terms and Conditions of the Tier 2 Notes), be required to pay additional amounts in respect of interest payments and (in the case of Senior Notes only) in respect of principal payments to cover the amounts so deducted or withheld.

**Governing Law:**

English.

**Listing:**

Applications have been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market.

**Ratings:**

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold

securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:**

The United States, the United Kingdom, Japan and EEA retail investors (as described in further detail in the Subscription and Sale section of this Prospectus).

Category 2 selling restrictions will apply for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “D Rules”) unless (i) the relevant Final Terms state that the Notes to which they relate are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

*The Issuers believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.*

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

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

### **Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme**

This section details certain risk factors which could affect the Group's future results of operations and cause them to be materially different from past results or from expected results. The factors detailed in this section should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

#### ***Market Risk***

Market risk is the risk that the Group is exposed to financial loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets. The Group holds a broad range of investment assets including equities, bonds, property, cash and direct investments such as property lending and sale and leaseback investments for the purposes of meeting its obligations under contracts of insurance, prudential capital requirements and for generating returns to shareholders. A range of factors influence the value of and income from these investment assets, including the performance and liquidity of investment markets, interest rate movements and inflation. A reduction in the value of these assets relative to contracted obligations or targeted returns will directly or indirectly affect the reported financial results and capital requirements of the Group.

Whilst the global economic outlook remains positive, the Group continues to monitor a range of risk factors that could trigger a reappraisal of asset values or influence a change in broader central bank monetary policies. In particular, after a period of strong growth in equity markets, 2018 has seen a return to volatility as financial markets have responded to potential changes in interest rate policies. In the UK, a lengthy period of negotiation and an uncertain "Brexit" outcome has potential to create asset price volatility for specific sectors, as well as a slowing in the broader UK economy in which the Group operates. There also remain a range of geo-political events that could cause shocks to global financial markets, and in stressed conditions a market correction may be significantly exaggerated from continued illiquidity in bond markets.

Asset values may be also be adversely affected by factors such as the temporary closure of markets, uncertainty over the operation of financial instruments and the imposition of capital controls, all of which could adversely impact the Group's businesses. Shocks to financial markets, in the extreme, could also adversely impact the Group's ability to execute hedging strategies that ensure the profiles of the Group's asset and liability cash flows are appropriately matched.

As well as reducing the value of assets backing the obligations and capital of the Group, significant falls in investment asset values can also result in a reduction in earnings from investment management, can affect the flows of funds to and from the Group's Investment Management businesses and can increase the cost of guarantees in certain long term products. Interest rate expectations leading to falls in the risk free yield curve can also create a greater degree of inherent volatility to be managed in the Solvency II balance sheet than the underlying economic position would dictate, potentially impacting capital requirements and surplus capital. The value of investments denominated in currencies other than sterling and holdings in overseas subsidiaries can also be adversely impacted by fluctuations in exchange rates. In addition, lifetime mortgages include a no-



negative equity guarantee which transfers to the Group an exposure to loss as a result of low house price inflation and an exposure on specific properties which may underperform.

More broadly, the performance of financial markets and economic conditions can influence the purchase by customers of retail financial services products, and how long they are retained, adversely affecting new business volumes as well as existing business.

### ***Reputation and Contagion Risks***

The Group's principal areas of activity are carried out primarily within the UK. The Group's earnings and profits are influenced by the perception and confidence of retail and wholesale investors in the UK financial services sector, UK financial markets and the broader economic outlook for the UK economy, as well as their confidence in the Group itself.

Factors impacting the perception of the UK financial services sector include the adverse performance of investment markets, actions by regulators against organisations operating in the UK financial services sector and shock events such as significant market failures, although the Group seeks wherever practicable to mitigate the effects of these risks. The financial crisis, subsequent investment performance and the low interest rate environment together with consumers' perceptions of the robustness of financial institutions may also impact consumer attitudes to long-term savings. Recent regulatory actions, for example with regard to Payment Protection Insurance (PPI), may also adversely impact consumers' perception of the value of insurance products and result in changes to the regulatory and legislative environment in which the Group operates, which could result in a reduction in the earnings and profits of the Group.

The Group's reputation can be affected by events impacting parties with which the Group has a relationship, internal process failures and the consequences of external events. Additionally, as a consequence of the use of a common brand across the majority of the Group and the provision of intra-group loans and guarantees, the occurrence of a risk in one part of the Group may result in contagion elsewhere in the Group. The Group seeks to maintain a control environment to ensure that, for those factors it can control, the potential for financial loss and reputational damage is minimised to a commercially viable level; however, the risk cannot be completely eliminated, and extreme events that cannot be readily controlled may affect the reputation of the Group with potential consequences for the earning streams of the Group.

As well as impacting reputation, the failure of other UK financial services organisations can have a direct financial impact on the Group through its participation in the Financial Services Compensation Scheme (FSCS). Under the scheme, in the event of a failure of a significant financial institution, the Group may be obliged to provide additional funding to the FSCS over a sustained period of time, reducing capital available to the Group. Similarly, compensation schemes such as the Pension Protection Fund can result in calls for funds on the Group.

### ***Insurance Risk***

Insurance risk is the risk of loss or adverse change in the value of insurance liabilities resulting from differing experience to that assumed within product pricing and provisions or from revision of the assumptions underlying provisions from one period to the next. The writing of long-term insurance business requires the setting of assumptions for long-term trends in factors such as mortality, morbidity, longevity, lapse rates and persistency, valuation interest rates, expenses and credit defaults. Assumptions are determined on actuarial principles. However, the Group is inherently exposed to the risk that actual experience may differ to that assumed, resulting in unanticipated loss or the need to recalibrate these assumptions reducing profitability. Forced changes in assumptions can also be required because of regulatory or legislative intervention in the way that products are priced, reducing profitability and future earnings.

The Group has made a number of assumptions regarding future rates of mortality, morbidity and longevity determined on actuarial principles. However, projecting future rates and trends cannot be precise and remains subject to inherent uncertainties. In its Annuities business, the group is exposed to factors such as improvements in medical science beyond those anticipated, leading to unexpected changes in life expectancy. Lifetime mortgage business also has some exposure to the life expectancy of borrowers. If the assumptions

underlying the reserving basis were to prove incorrect, the Group may have to increase the amount of its reserves. In its Protection business, the Group is inherently exposed to loss from events causing widespread mortality, morbidity or significant policy lapse rates. The Group is also exposed to lapse risks if its US term policies are not continued in line with its renewal assumptions. Similarly, a series of extreme weather events and other catastrophic events may result in a reduction in the Group's earnings and profitability from its General Insurance business. Furthermore legislative intervention in the pricing of insurance products may potentially increase the costs of insurance products for consumers, reducing their propensity to purchase such products and impacting new business volumes.

The inappropriate acceptance of financial risks associated with the writing of new products, or the incorrect assessment of liabilities once business has been accepted, represents a financial risk to the strength of the Long Term Fund (the Long Term Fund consists of those assets which are attributed to the long-term business). Within the area of insurance risk, there are four particular risks to the Group:

- (a) the inappropriate acceptance of certain long-term product design features, such as embedded guarantees, which at the time of launch may appear innocuous but may in the future generate substantial liabilities in the Long Term Fund;
- (b) the concentration of certain types of liability within the Long Term Fund, creating future risks to financial strength should there be significant differences in actual experience (for example, in the mortality rate of annuitants) to underlying design and pricing assumptions;
- (c) the potential incorrect valuation of existing and contingent liabilities due to the inherent complexity of the valuation process and underlying interaction of assumptions; and
- (d) forced changes in reserves could be required as a result of changes in regulations or law which have a retrospective effect.

### ***Credit Risk***

Credit risk is the risk that the Group is exposed to loss if another party fails to perform its financial obligations to the Group, particularly where proceeds from its investments or its reinsurance arrangements are not available as expected. Such failures could have adverse impacts on the Group's results of operations.

The significant areas where the Group is exposed to credit risk are the following:

- (a) the Group holds corporate bonds and sovereign debt within its portfolios of investment assets to back its insurance liabilities. There is a risk that the issuers of such bonds may default upon their payment obligations, resulting in financial loss to the Group (although this risk is allowed for in the actuarial valuation of the insurance liabilities, which allow for the probability of default, and is restricted by regulatory limits on the levels of high-risk assets which may be held for the purpose of demonstrating solvency) and operational disruption to the Group's business processes. Systemic corporate sector failures, or a major sovereign debt event, could in extreme scenarios trigger defaults impacting the value of the Group's bond portfolios. A widespread widening of credit spreads and downgrades can also result in a reduction in the Group's Solvency II balance sheet surplus, despite the Group setting aside significant capital for credit risk. Factors that could lead to a widespread default of the issuers of investment grade debt are currently considered to be more remote risks, however, the Group is closely monitoring a number of factors that may lead to a widening of credit spreads, including the outlook for interest rates and the potential economic impacts of an unfavourable "Brexit" outcome for specific industrial and service sectors. The outlook for aspects of the UK property market is also less certain, with recent housing data, whilst mixed, being indicative of slowing confidence, although prime commercial property remains in high demand. Whilst they represent more extreme risk scenarios in the current environment, factors that could increase the level of default risk if they were to occur include a material deterioration in global economic conditions, a renewed banking crisis and default on debt linked to emerging markets;
- (b) the Group is exposed to counterparty default risk in connection with the derivatives held to hedge guarantees and other financial risks to which the Group may be exposed;

- (c) the Group limits its exposure to insurance risk by ceding part of the risks it assumes to the reinsurance market. There is a risk that one or more reinsurers may default upon their reinsurance obligations. Credit risk syndication also exposes the Group to counterparty default risks with the Group being required to carry an element of associated risk capital requirement on its balance sheet should the business not be re-brokered on the same terms. To limit the risk of such default, the Group operates a strict credit rating policy when arranging cover;
- (d) the Group holds property lending and sale and leaseback investments and is inherently exposed to the risk of default by a borrower or tenant;
- (e) the Group is exposed to default risk where it undertakes property lending, with exposure to loss if an accrued debt exceeds the value of security taken; and
- (f) the Group is also exposed to the risk of defaults by money market counterparties and providers of investment settlement, banking, custody and other bespoke business services.

### ***Legal, Supervisory and Regulatory Risks***

The Group's business is subject to applicable law and regulations, both within the UK and internationally. In the UK, the Group's business is subject to regulation by the FCA and the UK Prudential Regulation Authority (the "PRA"), which have broad powers under the Financial Services and Markets Act 2000, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate capital resources. Each regulator has the power to take a range of disciplinary and enforcement actions, including public censure, restitution, fines or compensation and other sanctions.

The FCA and the PRA may each make enquiries of the companies which it regulates regarding compliance with regulations governing the conduct and operation of business. The Issuers believe that each of the Group's regulated businesses dedicates sufficient resources to its compliance programme, endeavours to respond to regulatory enquiries in an appropriate way and takes corrective action when warranted. However, all regulated financial services companies face the risk that the FCA or the PRA could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

Any legislative or regulatory action (whether in the UK or elsewhere) could have a negative impact upon the Group's results or on its relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have an adverse effect on the business of the Group, its results of operations or its financial condition.

Legislation and government fiscal policy influence the Group's product design, the period of retention of products and its required reserves for future liabilities. Regulation defines the overall framework for the design, marketing, taxation and distribution of its products, and the prudential capital that it holds. The Group's activities and strategies are based upon prevailing legislation and regulation. Changes in legislation, and differing interpretation and application of regulation, may increase the Group's cost base, reduce the Group's future revenues and impact profitability or require the Group to hold more capital. The Group seeks to participate actively with Government and regulatory bodies in the UK and Europe in evaluating proposed changes in legislation or regulation. However, unanticipated and sudden changes in legislation or regulation without adequate prior consultation or engagement with the financial services sector can have a significant impact on the Group's strategy and ultimately can impact the Group's earnings and profitability. Some changes in legislation and regulation can also have a retrospective effect.

The financial services sector continues to see significant regulatory driven change, both from the EU and from within the UK. The Group is progressing its responses to EU-driven financial services regulation including UCITS V, the IDD and PRIIPs, as well as actions to meet the requirements of the EU GDPR. As a predominantly UK and US focused business, the loss of EU passporting rights is expected to have limited direct impact, however the Group is establishing businesses in Dublin to support its European investment clients. The Group is also monitoring potential implications on market infrastructure and contract continuity risks. Within the UK, the FCA published its final report on the Asset Management Market Study in June 2017 and continues with its thematic review activities across the sector to ensure the fair treatment of customers.

The tax landscape continues to be subject to change, most recently with US tax reform in 2017 and the potential impact on the tax regime from the changing UK political environment.

The Group's accounts are prepared in accordance with the current IFRS applicable to the insurance industry. European Embedded Value ("EEV") basis results are published as supplementary information as a value based reporting method for the Group's long-term business. Any change or modification of IFRS accounting policies, such as the implementation of Phase II of the International Accounting Standards Board's proposals to amend the reporting standards for insurance entities who prepare accounts to IFRS, may require a change in the reporting basis of future results or a restatement of reported results. This may also be the case as a result of changes to the EEV reporting or any potential future adoption of the Market Consistent Embedded Value reporting basis.

### ***Liquidity Risk***

Liquidity risk is the risk that the Group, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

Contingent liquidity risks relate to low probability and typically extreme events that, if not adequately planned for, can result in unanticipated requirements for liquidity. Such events may include a flu pandemic or natural disaster leading to significant higher levels of claims that would normally be expected or extreme events impacting the timing of cash flows or the ability to realise investments at a given value within a specified timeframe. A limited level of contingent liquidity risk is an accepted element of writing contracts of insurance. However, the Group's insurance businesses seek to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events.

Collateral liquidity risk relates to a failure to hold sufficient cash or suitable liquid assets to meet collateral requirements for financial instruments and other transactions, resulting in unplanned disposals of assets at excessive cost. Within the Group's businesses, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral with counterparties, and as such an appropriate pool of the asset types specified by counterparties must either be held or readily available. Other transactions can require the posting of collateral should the Group's (or its subsidiaries') credit rating change. Liquidity requirements to meet potential collateral calls are actively managed.

Investment liquidity risk relates to the risk that investment assets are insufficiently liquid to be realised in line with contracted liabilities. Exposure may arise in the Group's with-profit fund, if the profile of investment assets held to meet obligations to policyholders is not aligned with the maturity profile of policies, or the profile does not adequately take account of the rights of policyholders to exercise options or guarantees to specified early surrender terms or minimum rates of return. The Group seeks to manage this risk by ensuring that an appropriate proportion of the fund is held in cash or other readily realisable assets to meet each tranche of maturities and anticipated early withdrawals as they fall due. Where policyholders have discretion to require early payment of policy proceeds, contractual safeguards are in place to ensure that the fund and remaining policyholders are not disadvantaged should a material number of policyholders exercise this discretion. Direct lending, sales and leaseback investments and lifetime mortgage business are inherently illiquid forms of investment, with limited secondary markets to realise the value of assets outside agreed redemption terms. The Group sets limits on the overall exposure to illiquid investment types taking account of the nature and type of liabilities that the assets are held to meet.

Wholesale funding liquidity risk relates to the risk of adverse markets conditions limiting the access to funding markets for new funding and refinancing of existing debt. There can be no guarantee that the Group will be able to refinance its existing debt in the future and reduced levels of liquidity could also increase the Group's cost of borrowing.

### ***Operational Risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group's business processes can be complex, with significant reliance placed upon IT systems and manual processes. A material failure in the Group's business processes or IT systems may result in unanticipated loss or reputational damage.

The Group has constructed a framework of internal controls to minimise these risks. However, no system of internal controls can completely eliminate the risk or error, financial loss, fraudulent actions or reputational damage. The Group's plan for growth together with the regulatory change agenda referred to above in "*Legal, Supervisory and Regulatory Risks*" will inherently increase the profile of operational risks across its business. As the Group develops its housing businesses, it is also exposed to property construction and safety risks.

As the Group and its business partners increasingly digitise their businesses, the Group is inherently exposed to the risk that third parties may seek to disrupt the Group's on-line operations, steal customer data or perpetrate acts of fraud using digital media. A significant cyber event could result in reputational damage to and financial loss for the Group. In response, the Group deploys a range of control techniques to evaluate system security and proactively manage emerging threats. The Group remains vigilant to a range of threats; however, the evolving nature of cyber risk means that residual risks will remain.

The Group is also exposed to operational risk from reliance on external suppliers of certain administration and IT development services. Dependencies also exist on the provision of banking infrastructure, and the availability of security dealing and custody services. Unforeseen events leading to the loss of any of these services may impact operational effectiveness and lead to financial loss.

The Group actively focuses on recruiting and retaining high quality individuals. It ensures that key dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. However, the sudden unanticipated loss of teams of expertise may, in the short term, adversely impact certain segments of the Group's businesses.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

### ***Joint Ventures***

The Group operates, and in certain markets is required by local regulation to operate, through joint ventures. The Group's ability to exercise management control over its joint venture operations and its investment in them depends on the terms of the joint venture agreements, in particular, the allocation of control among, and continued co-operation between, the joint venture participants. The Group may face financial loss or other exposure in the event that any of its joint venture partners fails to meet its obligations under the joint venture agreement or encounters financial difficulty, which could adversely impact the Group's results of operations.

### ***Market Competition***

As has been seen in other business sectors, it is possible that alternative digitally enabled providers of financial service products emerge with lower cost business models or innovative service propositions and capital structures disrupting the current competitive landscape.

Customer facing businesses are becoming increasingly digitalised. Huge structural changes have already changed the face of travel, music, retail and media industries. There is already strong competition in all of the Group's markets, and although the Group has had considerable past success at building sufficient scale to offer low cost products and has a digital strategy that uses digital platforms that allow for globalisation and high scale, it is possible that alternative providers emerge with lower cost or new service models that present new challenges for the Group's businesses. The Group is also cognisant of the potential for entry by scale overseas competitors who may have lower return on capital requirements and be unconstrained by Solvency II. The Group's continuing profitability, and the long term viability of its product range, depends upon an adequate response to such competition.

### ***Litigation***

The Group is not currently, but may in the future be, subject to legal proceedings and disputes which are sufficiently significant to have a material adverse effect on the Group. Legal proceedings and disputes may arise in the future under contracts, regulations or from a course of conduct taken by the Group and may be class actions. Given the large or indeterminate amounts of damages sometimes sought, and the inherent

unpredictability of the outcome of litigation and disputes, it is possible that an adverse outcome in material legal proceedings or disputes could, from time to time, have a material adverse effect on the Group's business, reputation, ability to offer certain products, customer numbers, results of operations, cashflows and/or financial condition, and could divert management attention.

### ***Capital Adequacy Requirements***

Firms which are permitted to carry on insurance business in the UK are required to maintain a minimum level of assets (referred to as regulatory capital) in excess of their liabilities. The relevant companies within the Group satisfy all of their current regulatory requirements in this regard. Fluctuations in the fixed income and equity markets would, however, directly or indirectly, affect levels of regulatory capital held by such Group companies.

Management estimates are required in the derivation of Solvency II capital metrics. These include modelling simplifications to reflect that it is not possible to perfectly model the external environment, with adjustment necessitated when new data emerges.

An inability to meet regulatory capital requirements in the future would be likely to lead to intervention by the PRA, which could be expected to require the Group to take steps to restore the level of regulatory capital held to acceptable levels.

Insurance regulation in the UK is largely based upon the requirements of EU directives. Inconsistent application of such directives by regulators in different Member States of the EU (each a "Member State") may place the Group at a competitive disadvantage to other European insurance and financial services groups. In addition, changes in the local regulatory regimes of countries in which the Group operates could affect the calculation of the Group's solvency position.

### ***UK Taxation Law***

Changes in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation may adversely affect the business, results of operations and financial condition of the Group. The impact on the Group would depend upon the business undertaken, and other relevant circumstances, at the time of such change.

The design of the Group's products takes into account a number of factors, including taxation. Future changes in tax law may impact the taxation of our customers or policyholders. Such changes could have a material adverse effect on the Group's business, results of operations and/or financial condition.

### ***Position of the Issuers within the Group***

The Group's operations are generally conducted through direct and indirect subsidiaries. As a holding company (in the case of L&G) or a finance company (in the case of L&GF), each Issuer's principal sources of funds are dividends from L&G's operational subsidiaries and amounts that may be raised through the issue of debt instruments. The Issuers may not necessarily have access to the full amount of cashflows generated by the rest of the Group, due in particular to legal or tax constraints.

### ***Credit Ratings***

The Group's business is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit ratings supplied by ratings agencies. As at the date of this Prospectus, L&G's long term senior debt ratings are A3 (Moody's), A (S&P), A+ (Fitch) and a (A.M. Best) and L&GF's long term senior debt rating is A3 (Moody's). Any downgrading of these ratings could increase the Group's borrowing cost and consequently may weaken its market position. Changes in methodology and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or the Issuers' financial condition.

The credit ratings included or referred to in this Prospectus will be treated for the purposes of the CRA Regulation as having been issued by Moody's, S&P, Fitch or A.M. Best, as the case may be. Moody's, S&P, Fitch and A.M. Best are each established in the EU and registered under the CRA Regulation.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### *Risks related to the structure of a particular issue of Notes*

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

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

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

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

#### *The reset of the Rate of Interest fixed with respect to Fixed Rate Reset Notes on each Reset Date could affect the market value of an investment in such Notes*

Fixed Rate Reset Notes will bear interest at the fixed rate per cent. per annum specified in the relevant Final Terms (the "Initial Rate of Interest") until the Reset Date specified in the relevant Final Terms or, if more than one Reset Date is specified, the first Reset Date specified in the Final Terms (in each case, as defined in the Terms and Conditions of the Tier 3 Notes and in the Terms and Conditions of the Tier 2 Notes). On the Reset Date (or on each Reset Date, if more than one Reset Date is specified), the Rate of Interest will be reset to the aggregate of the applicable Subsequent Reset Reference Rate, the applicable Initial Credit Spread and the applicable Step-Up Margin (each as defined in the Terms and Conditions of the Tier 3 Notes and in the Terms and Conditions of the Tier 2 Notes), as determined by the Calculation Agent. Such reset Rate of Interest could be less than the Initial Rate of Interest and/or, as applicable, less than the Rate of Interest determined on any previous Reset Determination Date (as defined in the Terms and Conditions of the Tier 3 Notes and in the Terms and Conditions of the Tier 2 Notes), and could accordingly affect the market value of an investment in the Notes.

#### *Fixed to Floating Rate Notes*

Fixed to Floating Rate Notes bear interest at a fixed rate until the relevant Fixed Rate End Date and at a floating rate from the Fixed Rate End Date. The new floating rate may be lower than the rates on other Notes.

#### *Risks related to Notes which are linked to "benchmarks"*

LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the manner in which interest is calculated, or result in other consequences, in respect of any

Notes linked to such benchmark (including, but not limited to, Floating Rate Notes whose interest rates are linked to LIBOR and Fixed to Floating Rate Notes whose interest rates are linked to LIBOR after the relevant Fixed Rate End Date).

Furthermore, in respect of Floating Rate Notes whose interest rates are linked to LIBOR and Fixed to Floating Rate Notes whose interest rates are linked to LIBOR after the relevant Fixed Rate End Date, if the interest rate in respect of any Interest Accrual Period cannot be determined by reference to the Relevant Screen Page, the terms and conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from the Reference Banks, and if the Rate of Interest cannot be determined by reference to quotations from the Reference Banks (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the interest rate in respect of such Notes shall be the Rate of Interest determined as at the last preceding Interest Determination Date. Such circumstances may persist on subsequent Interest Determination Dates, resulting in such Notes bearing a fixed Rate of Interest unless and until the Rate of Interest can again be determined by reference to the Relevant Screen Page or quotations from the Reference Banks, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of such Notes and such Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate.

Similarly, in respect of Fixed Rate Reset Notes where the Subsequent Reset Rate is to be determined by reference to the Mid-Swap Rate and such Mid-Swap Rate cannot be determined by reference to the Subsequent Reset Rate Screen Page, the terms and conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from the Reference Banks, and if the Rate of Interest cannot be determined by reference to quotations from the Reference Banks, the interest rate in respect of such Notes shall be the Rate of Interest determined as at the last preceding Reset Determination Date. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the terms and conditions of the Notes further provide that the Issuer may determine, in consultation with the Calculation Agent, a successor or other benchmark rate as is customarily used as at the relevant time. There can be no assurance that any successor or other benchmark rate which may be determined by the Issuer, in consultation with the Calculation Agent, as the Mid-Swap Benchmark Rate following the discontinuation of LIBOR will not result in a lower interest rate being payable on such Fixed Rate Reset Notes.

Any such consequence could be less favourable to investors and could have a material adverse effect on the value of and return on any such Notes.

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

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

#### *Restricted remedy for non-payment*

In accordance with PRA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee, or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Tier 3 Notes and in the Terms and Conditions of the Tier 2 Notes) any holder of Notes, for recovery of amounts owing in respect of the Tier 3 Notes, the Tier 2 Notes and any Coupons relating thereto will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer for such amounts.

#### ***Risks relating to the Dated Tier 3 Notes***

*Capitalised expressions used below have the definitions ascribed to them in the Terms and Conditions of the Tier 3 Notes, as expressed to be applicable to Notes in relation to which a Maturity Date is specified and references to any numbered Condition shall be construed accordingly.*



### *The Issuer's obligations under the Dated Tier 3 Notes are subordinated*

The Dated Tier 3 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as described in "Terms and Conditions of the Tier 3 Notes") or administration of the Issuer, the payment obligations of the Issuer under or arising from the Dated Tier 3 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 3 Capital and shall rank in priority to those whose claims constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions) and to the claims of holders of all classes of share capital of the Issuer.

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

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

Although Dated Tier 3 Notes may bear a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Dated Tier 3 Notes will lose all or some of its investment should the Issuer become insolvent.

### *Deferral of Interest Payments*

If Optional Interest Payment Date is specified in the relevant Final Terms, the Issuer may elect to defer paying interest on each Optional Interest Payment Date.

The Issuer is required to defer any payment of interest on Dated Tier 3 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition.

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer under the requirements of the Relevant Rules, which may be subject to amendment or replacement in the future. Events which constitute a Regulatory Deficiency Interest Deferral Event could include, without limitation, any event which causes any Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where such event is an event which under the Relevant Rules means that the Issuer must defer payments on the Notes on the basis that the Notes are intended to qualify, as Tier 3 Capital under the Relevant Rules.

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b)) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made;

- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a)) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

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

#### *Deferral of redemption*

The Issuer is required to defer any redemption of Dated Tier 3 Notes on the Maturity Date or on any date fixed for redemption pursuant to Conditions 6(d), 6(e), 6(f) or 6(g) if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Dated Tier 3 Notes were redeemed, (ii) if the redemption would give rise to a breach of the Solvency Condition or (iii) if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules. If redemption of Dated Tier 3 Notes is deferred, the Dated Tier 3 Notes will only become due for redemption in the circumstances described in Conditions 6(a)(iii) and 6(a)(iv). Events which constitute a Regulatory Deficiency Redemption Deferral Event include any event, including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where 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 the Issuer must defer repayment of the Notes on the basis that the Notes are intended to qualify, as Tier 3 Capital under the Relevant Rules.

#### *Redemption and Exchange Risk*

The Dated Tier 3 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified) or a Rating Methodology Event (if a Rating Methodology Call is specified), the Dated Tier 3 Notes may be (i) substituted by, or their terms varied so that they remain or become, Qualifying Tier 3 Securities or, in the case of a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest (as described in further detail in the Terms and Conditions of the Tier 3 Notes).

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

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or *pari passu* with, the Dated Tier 3 Notes. The issue of any such securities may reduce the amount recoverable by holders of Dated Tier 3 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Dated Tier 3 Notes.

#### ***Risks relating to the Undated Tier 3 Notes***

*Capitalised expressions used below have the definitions ascribed to them in the Terms and Conditions of the Tier 3 Notes, as expressed to be applicable to Notes in relation to which no Maturity Date is specified and references to any numbered Condition shall be construed accordingly.*

#### *The Issuer's obligations under the Undated Tier 3 Notes are subordinated*

The Undated Tier 3 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as described in "Terms and Conditions of the Tier 3 Notes") or administration of the Issuer, the payment

obligations of the Issuer under or arising from the Undated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 3 Capital and shall rank in priority to those whose claims constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions) and to the claims of holders of all classes of share capital of the Issuer.

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

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

Although Undated Tier 3 Notes may bear a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Undated Tier 3 Notes will lose all or some of its investment should the Issuer become insolvent.

#### *Deferral of Interest Payments*

If Optional Interest Payment Date is specified in the relevant Final Terms, the Issuer may elect to defer any payment of interest on Undated Tier 3 Notes which would otherwise be payable on an Interest Payment Date.

The Issuer is required to defer any payment of interest on Undated Tier 3 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition.

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer under the requirements of the Relevant Rules, which may be subject to amendment or replacement in the future. Events which constitute a Regulatory Deficiency Interest Deferral Event could include, without limitation, any event which causes any Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where such event is an event which under the Relevant Rules means that the Issuer must defer payments on the Notes on the basis that the Notes are intended to qualify, as Tier 3 Capital under the Relevant Rules.

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b)) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made;
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a)) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or

(iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

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

#### *Deferral of redemption*

The Issuer is required to defer any redemption of Undated Tier 3 Notes (if it has given notice of early redemption in accordance with any of Conditions 6(d), 6(e), 6(f) or 6(g)) on any date fixed for redemption pursuant to such Condition if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Undated Tier 3 Notes were redeemed, (ii) if the redemption would give rise to a breach of the Solvency Condition or (iii) if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules. If redemption of Undated Tier 3 Notes is deferred, the Undated Tier 3 Notes will only become due for redemption in the circumstances described in Conditions 6(a)(iii) and 6(a)(iv). Events which constitute a Regulatory Deficiency Redemption Deferral Event include any event, including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where 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 the Issuer must defer repayment of the Notes on the basis that the Notes are intended to qualify, as Tier 3 Capital under the Relevant Rules.

#### *Perpetual Securities*

The Issuer is under no obligation to redeem the Undated Tier 3 Notes at any time and the holders of Undated Tier 3 Notes have no right to call for their redemption. This means that Noteholders have no ability to liquidate their investment in any Undated Tier 3 Notes, except: (i) if the Issuer exercises its rights to redeem or purchase the Undated Tier 3 Notes in the limited circumstances described in Condition 6; (ii) if permitted in the circumstances described in Condition 8; or (iii) by selling their Undated Tier 3 Notes in the secondary market. The redemption of any Undated Tier 3 Notes by the Issuer is subject to the satisfaction of certain conditions which are more particularly described Condition 6(b). There can be no assurance that Noteholders will be able to reinvest the amount received upon any redemption or sale of Undated Tier 3 Notes at a rate that will provide the same rate of return as their investment in such Undated Tier 3 Notes.

#### *Redemption and Exchange Risk*

The Undated Tier 3 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified) or a Rating Methodology Event (if a Rating Methodology Call is specified), the Undated Tier 3 Notes may be (i) substituted by, or their terms varied so that they remain or become, Qualifying Tier 3 Securities or, in the case of a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest (as described in further detail in the Terms and Conditions of the Tier 3 Notes).

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

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or *pari passu* with, the Undated Tier 3 Notes. The issue of any such securities may reduce the amount recoverable by holders of Undated Tier 3 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Undated Tier 3 Notes.

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

*Capitalised expressions used below have the definitions ascribed to them in the Terms and Conditions of the Tier 2 Notes, as expressed to be applicable to Notes in relation to which a Maturity Date is specified and references to any numbered Condition shall be construed accordingly.*

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

The Dated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up (subject as described in "Terms and Conditions of the Tier 2 Notes") or administration of the Issuer, the payment obligations of the Issuer under or arising from the Dated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors of the Issuer but shall rank at least *pari passu* with all other obligations of the Issuer which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital (other than Existing Undated Tier 2 Securities) and shall rank in priority to those whose claims constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Existing Undated Tier 2 Securities or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions) and to the claims of holders of all classes of share capital of the Issuer.

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

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

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

### ***Deferral of Interest Payments***

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

The Issuer is required to defer any payment of interest on Dated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition.

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer under the requirements of the Relevant Rules, which may be subject to amendment or replacement in the future. Events which constitute a Regulatory Deficiency Interest Deferral Event could include, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where such event is an event which under the Relevant Rules means that the Issuer must defer payments on the Notes on the basis that the Notes are intended to qualify, as Tier 2 Capital under the Relevant Rules.

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b)) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not

subsisting and would not occur if payment of such Arrears of Interest were made) and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made;
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a)) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

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

#### *Deferral of redemption*

The Issuer is required to defer any redemption of Dated Tier 2 Notes on the Maturity Date or on any date fixed for redemption pursuant to Conditions 6(d), 6(e), 6(f) or 6(g) if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Dated Tier 2 Notes were redeemed, (ii) if the redemption would give rise to a breach of the Solvency Condition or (iii) if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules. If redemption of Dated Tier 2 Notes is deferred, the Dated Tier 2 Notes will only become due for redemption in the circumstances described in Conditions 6(a)(iii) and 6(a)(iv). Events which constitute a Regulatory Deficiency Redemption Deferral Event include any event, including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where 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 the Issuer must defer repayment of the Notes on the basis that the Notes are intended to qualify, as Tier 2 Capital under the Relevant Rules.

#### *Redemption and Exchange Risk*

The Dated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified) or a Rating Methodology Event (if a Rating Methodology Call is specified), the Dated Tier 2 Notes may be (i) substituted by, or their terms varied so that they remain or become, Qualifying Tier 2 Securities or, in the case of a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest (as described in further detail in the Terms and Conditions of the Tier 2 Notes).

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

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

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

*Capitalised expressions used below have the definitions ascribed to them in the Terms and Conditions of the Tier 2 Notes, as expressed to be applicable to Notes in relation to which no Maturity Date is specified and references to any numbered Condition shall be construed accordingly.*

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

The Undated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu and without any preference among themselves. In the event of the winding-up (subject as described in "Terms and Conditions of the Tier 2 Notes") or administration of the Issuer, the payment obligations of the Issuer under or arising from the Undated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors of the Issuer but shall rank at least pari passu with all other obligations of the Issuer which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital (other than Existing Undated Tier 2 Securities) and shall rank in priority to the claims of holders of Existing Undated Tier 2 Securities, Tier 1 Capital and all classes of share capital of the Issuer.

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

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

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

*Deferral of Interest Payments*

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

The Issuer is required to defer any payment of interest on Undated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant interest were to be paid) or if the payment of the relevant interest would give rise to a breach of the Solvency Condition.

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer under the requirements of the Relevant Rules, which may be subject to amendment or replacement in the future. Events which constitute a Regulatory Deficiency Interest Deferral Event could include, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where such event is an event which under the Relevant Rules means that the Issuer must defer payments on the Notes on the basis that the Notes are intended to qualify, as Tier 2 Capital under the Relevant Rules.

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b)) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made;

- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a)) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer.

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

#### *Deferral of redemption*

The Issuer is required to defer any redemption of Undated Tier 2 Notes (if it has given notice of early redemption in accordance with any of Conditions 6(d), 6(e), 6(f) or 6(g)) on any date fixed for redemption pursuant to such Condition if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Undated Tier 2 Notes were redeemed, (ii) if the redemption would give rise to a breach of the Solvency Condition or (iii) if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules. If redemption of Undated Tier 2 Notes is deferred, the Undated Tier 2 Notes will only become due for redemption in the circumstances described in Conditions 6(a)(iii) and 6(a)(iv). Events which constitute a Regulatory Deficiency Redemption Deferral Event include any event, including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached, where 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 the Issuer must defer repayment of the Notes on the basis that the Notes are intended to qualify, as Tier 2 Capital under the Relevant Rules.

#### *Perpetual Securities*

The Issuer is under no obligation to redeem the Undated Tier 2 Notes at any time and the holders of Undated Tier 2 Notes have no right to call for their redemption. This means that Noteholders have no ability to liquidate their investment in any Undated Tier 2 Notes, except: (i) if the Issuer exercises its rights to redeem or purchase the Undated Tier 2 Notes in the limited circumstances described in Condition 6; (ii) if permitted in the circumstances described in Condition 8; or (iii) by selling their Undated Tier 2 Notes in the secondary market. The redemption of any Undated Tier 2 Notes by the Issuer is subject to the satisfaction of certain conditions which are more particularly described Condition 6(b). There can be no assurance that Noteholders will be able to reinvest the amount received upon any redemption or sale of Undated Tier 2 Notes at a rate that will provide the same rate of return as their investment in such Undated Tier 2 Notes.

#### *Redemption and Exchange Risk*

The Undated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event (if a Capital Disqualification Call is specified) or a Rating Methodology Event (if a Rating Methodology Call is specified), the Undated Tier 2 Notes may be (i) substituted by, or their terms varied so that they remain or become, Qualifying Tier 2 Securities or, in the case of a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their Early Redemption Amount or (y) a Capital Disqualification Event or a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest (as described in further detail in the Terms and Conditions of the Tier 2 Notes).

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

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



### ***Risks related to Notes generally***

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

#### *Modification, waivers and substitution*

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

The Terms and Conditions of the Senior Notes also provide that the Trustee may, without the consent of Noteholders, agree to the substitution of the relevant Issuer's successor in business or any subsidiary or holding company of the relevant Issuer or its successor in business (or, in relation to issues of Notes which are guaranteed by L&G, of the Guarantor or its successor in business or any subsidiary or holding company of the Guarantor or its successor in business) as principal debtor under any Senior Notes in place of the relevant Issuer or any previously substituted company, or the substitution of the Guarantor's successor in business or any subsidiary or holding company of the Guarantor or its successor in business as guarantor under the Senior Notes in place of the Guarantor or of any previously substituted company, in the circumstances described in Condition 11(c) of the Terms and Conditions of the Senior Notes.

#### *Change of law*

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

#### *Integral multiples of less than €100,000*

In relation to any issue of Notes which have a denomination consisting of the minimum specified denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denominations.

If definitive Notes are issued, Noteholders should be aware that the definitive Notes which have a denomination that is not an integral multiple of €100,000 (or its equivalent) may be illiquid and difficult to trade.

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

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

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. In addition, liquidity may be limited if the relevant Issuer makes larger allocations to a limited number of investors. Illiquidity may have a severely adverse effect on the market value of Notes.

### *Exchange rate risks and exchange controls*

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risks*

Investment in Fixed Rate Notes, Fixed Rate Reset Notes and Fixed to Floating Rate Notes involves the risk that subsequent changes in market interest rates after the Issue Date, may adversely affect the value of such Fixed Rate Notes, Fixed Rate Reset Notes or Fixed to Floating Rate Notes.

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

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

## TERMS AND CONDITIONS OF THE SENIOR NOTES

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

The Notes are constituted by a Trust Deed dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Deed dated 23 March 2018, and as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) between Legal & General Group Plc (“L&G” or, in its capacity as guarantor, the “Guarantor”), Legal & General Finance PLC (“L&GF”) (each an “Issuer” and together the “Issuers”) and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Agreement dated 31 May 2017 and as amended or supplemented as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes between L&G, L&GF, the Trustee, Citibank, N.A. as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar) and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

The Notes are issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”) in each case in the Specified Denomination(s) shown hereon provided that all Notes shall have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

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

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

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

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

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

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

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

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

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

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

Each new Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may

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

**(d) *Transfer Free of Charge***

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

**(e) *Closed Periods***

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

*The following text “3. Guarantee and Status” will appear on Senior Notes issued by L&GF:*

**3. *Guarantee and Status***

**(a) *Guarantee***

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

**(b) *Status of Notes and Guarantee***

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

*The following text “3. Status” will appear on Senior Notes issued by L&G:*

**3. *Status***

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

*The following text “4. Negative Pledge” will appear on Senior Notes issued by L&GF:*

#### **4. Negative Pledge**

So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to exist any Security Interest (as defined below) upon any of its properties (whether now owned or hereafter acquired) to secure any of its present or future Relevant Indebtedness (as defined below) (or any guarantee or indemnity in respect thereof) without making effective provision whereby the Issuer’s or, as the case may be, the Guarantor’s obligations under the Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (c) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its reasonable opinion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

“Relevant Indebtedness” means any indebtedness for borrowed money which is in the form of, or represented or evidenced by, bonds, notes, debentures or other securities which, with the agreement of the Issuer or the Guarantor, as the case may be, are quoted, listed, dealt in or traded on a stock exchange, or an over-the-counter or other recognised securities market.

“Security Interest” means any mortgage, pledge, security interest, lien or other encumbrance.

*The following text “4. Negative Pledge” will appear on Senior Notes issued by L&G:*

#### **4. Negative Pledge**

So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed), the Issuer will not create or permit to exist any Security Interest (as defined below) upon any of its properties (whether now owned or hereafter acquired) to secure any of its present or future Relevant Indebtedness (as defined below) (or any guarantee or indemnity in respect thereof) without making effective provision whereby the Issuer’s obligations under the Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (c) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its reasonable opinion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

“Relevant Indebtedness” means any indebtedness for borrowed money which is in the form of, or represented or evidenced by, bonds, notes, debentures or other securities which, with the agreement of the Issuer, are quoted, listed, dealt in or traded on a stock exchange, or an over-the-counter or other recognised securities market.

“Security Interest” means any mortgage, pledge, security interest, lien or other encumbrance.

#### **5. Interest and other Calculations**

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

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

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

###### **(i) Interest Payment Dates**

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to

the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

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

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

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, then, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms), if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, any one or more banks (which



bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Rate of Interest shall be the Rate of Interest determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) **Linear Interpolation**

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however, that, if there is no such rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) ***Zero Coupon Notes***

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

(d) ***Accrual of Interest***

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

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

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or

subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

**(f) *Calculations***

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

Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or at such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business

Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5(g) but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

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

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(i) *Definitions***

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

“Business Day” means:

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

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

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

- (iii) if “Actual/365 (Sterling)” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Calculation Period ending on a date falling in a leap year, 366;
- (iv) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30;

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

- (viii) if “Actual/Actual-ICMA” is specified hereon, then:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

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

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

“Euro-zone” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on the functioning of the European Union, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each

successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date unless otherwise specified hereon.

“Interest Amount” means:

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

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

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

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

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

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

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

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

“Reference Rate” means the rate specified as such hereon.

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

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

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**(j) Calculation Agent**

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

**6. Redemption, Purchase and Options**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

**(b) Early Redemption**

Zero Coupon Notes

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue from (and including) the Maturity Date to (but excluding) the date of redemption in accordance with Condition 5(c).

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

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

If the Issuer determines that immediately before the giving of the notice referred to below [either:

- (i)<sup>1</sup> on the occasion of the next payment due in respect of the Notes, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; or
- (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payments itself would be required to pay such additional amounts]<sup>1</sup>,

the Issuer may, at its option, having given not less than 30 or more than 60 days' notice (a "Tax Redemption Notice") to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (which notice shall be irrevocable), redeem all, but not some only, of the Notes at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) at their Early Redemption Amount together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

Prior to the publication of any Tax Redemption Notice, the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the Issuer [or, as the case may be, the Guarantor]<sup>1</sup> has become, is or would be so required to pay additional amounts, and (2) an opinion in form and substance reasonably satisfactory to the Trustee of independent legal advisers of recognised standing to that effect. The Trustee shall, without enquiring and without any liability therefor, accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above and it shall be conclusive and binding on the Noteholders and the Couponholders.

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

If Call Option is specified hereon, the Issuer may, on giving not less than the minimum period nor more than the maximum period (as specified in the applicable Final Terms) of irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions. Any such redemption must relate to Notes of an aggregate nominal amount at least equal to the Minimum Redemption Amount specified hereon and no greater than the Maximum Redemption Amount specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

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

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

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than the minimum period nor more than the

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<sup>1</sup> Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.



maximum period (as specified hereon) of notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions.

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

**(f) Purchases**

[The Issuer, the Guarantor and any of their Subsidiaries (as defined in Condition 10)]<sup>2</sup> [The Issuer and any of its Subsidiaries (as defined in Condition 10)]<sup>3</sup> may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(g) Cancellation**

All Notes purchased by or on behalf of [the Issuer, the Guarantor or any of their Subsidiaries]<sup>2</sup> [the Issuer or any of its Subsidiaries]<sup>3</sup> may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer [and the Guarantor]<sup>2</sup> in respect of any such Notes shall be discharged.

**7. Payments and Talons**

**(a) Bearer Notes**

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

**(b) Registered Notes**

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

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<sup>2</sup> Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

<sup>3</sup> Square bracketed text to appear on Senior Notes issued by L&G.

- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

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

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

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

Without prejudice to the provisions of Condition 8, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents), the Issuer [or, as the case may be, the Guarantor]<sup>4</sup> will not be required to pay any additional amounts on account of a withholding or deduction for, or on account of, any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements and the Issuer [or, as the case may be, the Guarantor]<sup>4</sup> shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Notes or Coupons. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. For the purposes of the preceding sentence, the phrase “fiscal or other laws, regulations and directives” shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code (“FATCA”) or any agreement entered into pursuant to FATCA.

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

The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer [and the Guarantor]<sup>4</sup> and their respective specified offices are listed below. The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer [and the Guarantor]<sup>4</sup> and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer [and the Guarantor]<sup>4</sup> reserve[s]<sup>5</sup> the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require and (v) a Paying Agent having a specified office in London so long as the Notes are admitted to the Official List of the UK Listing

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<sup>4</sup> Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

<sup>5</sup> Square bracketed text to appear on Senior Notes issued by L&G.

Authority acting under Part VI of the Financial Services and Markets Act 2000 and admitted to trading on the Main Market of the London Stock Exchange.

In addition, the Issuer [and the Guarantor]<sup>6</sup> shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders. If any additional Paying Agents are appointed in connection with any Series of Notes, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

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

**(g) *Talons***

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

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6 Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

**(h) *Non-Business Days***

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

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

**8. Taxation**

All payments of principal and interest by or on behalf of the Issuer [or the Guarantor]<sup>7</sup> in respect of the Notes and the Coupons [or under the Guarantee]<sup>7</sup> shall be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer [or, as the case may be, the Guarantor]<sup>7</sup> shall pay such additional amounts as shall result in receipt by the holders of the Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

**(a) *Other Connection***

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

**(b) *Lawful Avoidance of Withholding***

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

**(c) *Presentation More Than 30 Days After the Relevant Date***

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

**(d) *Presentation for Payment in the United Kingdom***

presented for payment in the United Kingdom; or

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<sup>7</sup> Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

**(e) Any Combination**

where the requirement to withhold or deduct which would otherwise give rise to the obligation to pay additional amounts arises out of any combination of paragraphs (a) to (d) above.

As used in these Conditions, “Relevant Date” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

**9. Prescription**

Claims against the Issuer [and/or the Guarantor]<sup>8</sup> for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

*The following text “10. Events of Default” will appear on Senior Notes issued by L&GF:*

**10. Events of Default**

The Trustee may at its absolute discretion, and shall, if so requested in writing by the holders of not less than one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Notes are due and payable immediately, at their Early Redemption Amount together with accrued interest, on the happening of any one or more of the following events (“Events of Default”):

- (a) if default is made for a period of seven days or more in the payment of any principal due in respect of the Notes; or
- (b) if default is made for a period of 14 days or more in the payment of any interest due in respect of the Notes; or
- (c) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no notice requiring remedy will be required) such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor of notice requiring the same to be remedied; or
- (d) if any other indebtedness of the Issuer, the Guarantor or its Principal Subsidiary (as defined below) for borrowed monies becomes or is declared to be repayable prior to the due date for payment thereof by reason of default on the part of the Issuer, the Guarantor or its Principal Subsidiary or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee of indebtedness for borrowed monies

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<sup>8</sup> Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

given by the Issuer, the Guarantor or its Principal Subsidiary is not honoured when due and called upon; provided that no such event shall constitute an Event of Default unless the relevant indebtedness or relevant guarantee of indebtedness either alone or when aggregated with all other indebtedness or guarantees of indebtedness (if any) in respect of which other such events have occurred shall equal or exceed whichever is the greater of £25,000,000 (or the equivalent thereof in any other currency or currencies) and 0.5 per cent. of Adjusted Capital and Reserves (as defined below); or

- (e) if an administrator is appointed, an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up of, or an administration order is made in relation to, the Issuer, the Guarantor or its Principal Subsidiary, or if the Issuer, the Guarantor or its Principal Subsidiary stops payment or threatens to stop payment to its creditors generally or ceases or threatens to cease to carry on business, except a winding-up or a stopping of payment or a cessation of business for the purposes of a reconstruction, amalgamation, merger, consolidation, reorganisation or other similar arrangement (i) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or (ii) in the case of the Issuer or the Principal Subsidiary, whereby the undertaking or assets of the Issuer or the Principal Subsidiary, as the case may be, are transferred to or otherwise vested in the Guarantor; or
- (f) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or in the opinion of the Trustee any substantial part of the undertaking or assets of the Issuer, the Guarantor or its Principal Subsidiary, or if a distress or execution is levied or enforced upon or sued out against any material part in the opinion of the Trustee of the chattels and property of the Issuer, the Guarantor or its Principal Subsidiary following upon a decree or judgment of a court of competent jurisdiction and is not removed, discharged or paid out within 60 days or any longer period as the Trustee may permit; or
- (g) if the Issuer, the Guarantor or its Principal Subsidiary is unable to pay its debts within the meaning of Section 123(1)(e) of the Insolvency Act 1986 or makes a general assignment for the benefit of its creditors; or
- (h) if the Issuer or the Principal Subsidiary shall cease to be a subsidiary of the Guarantor within the meaning of Section 1159 of the Companies Act 2006 (except pursuant to such a reconstruction, amalgamation, merger, consolidation, reorganisation or other similar arrangement as is referred to in paragraph (e) above),

provided in the case of any such event other than those described in paragraphs (a), (b) or (except where such event relates to the Principal Subsidiary) (e) of this Condition 10, the Trustee shall have certified in writing to the Issuer that such event is in its opinion materially prejudicial to the interests of Noteholders.

As used in these Conditions:

“Adjusted Capital and Reserves” means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of L&G; and
- (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account,

all as shown in the then latest audited consolidated balance sheet and profit and loss account of L&G prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of L&G since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries of L&G comprising the Group. A

certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of L&G as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties whether or not addressed to each such party.

“Group” means L&G and its Subsidiaries taken as a whole.

“Principal Subsidiary” means Legal & General Assurance Society Limited for as long as it remains a Subsidiary of L&G.

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

*The following text “10. Events of Default” will appear on Senior Notes issued by L&G:*

## **10. Events of Default**

The Trustee may at its absolute discretion, and shall, if so requested in writing by the holders of not less than one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders (subject in each case to being indemnified to its satisfaction), give written notice to the Issuer that the Notes are due and payable immediately, at their Early Redemption Amount together with accrued interest, on the happening of any one or more of the following events (“Events of Default”):

- (a) if default is made for a period of seven days or more in the payment of any principal due in respect of the Notes; or
- (b) if default is made for a period of 14 days or more in the payment of any interest due in respect of the Notes; or
- (c) if the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no notice requiring remedy will be required) such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (d) if any other indebtedness of the Issuer or its Principal Subsidiary (as defined below) for borrowed monies becomes or is declared to be repayable prior to the due date for payment thereof by reason of default on the part of the Issuer or its Principal Subsidiary or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee of indebtedness for borrowed monies given by the Issuer or its Principal Subsidiary is not honoured when due and called upon; provided that no such event shall constitute an Event of Default unless the relevant indebtedness or relevant guarantee of indebtedness either alone or when aggregated with all other indebtedness or guarantees of indebtedness (if any) in respect of which other such events have occurred shall equal or exceed whichever is the greater of £25,000,000 (or the equivalent thereof in any other currency or currencies) and 0.5 per cent. of Adjusted Capital and Reserves (as defined below); or
- (e) if an administrator is appointed, an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up of, or an administration order is made in relation to, the Issuer or its Principal Subsidiary, or if the Issuer or its Principal Subsidiary stops payment or threatens to stop payment to its creditors generally or ceases or threatens to cease to carry on business, except a winding-up or a stopping of payment or a cessation of business for the purposes of a reconstruction, amalgamation, merger, consolidation, reorganisation or other similar arrangement (i) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or (ii) in the case of the Principal Subsidiary, whereby the undertaking or assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer; or

- (f) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or in the opinion of the Trustee any substantial part of the undertaking or assets of the Issuer or its Principal Subsidiary, or if a distress or execution is levied or enforced upon or sued out against any material part in the opinion of the Trustee of the chattels and property of the Issuer or its Principal Subsidiary following upon a decree or judgment of a court of competent jurisdiction and is not removed, discharged or paid out within 60 days or any longer period as the Trustee may permit; or
- (g) if the Issuer or its Principal Subsidiary is unable to pay its debts within the meaning of Section 123(1)(e) of the Insolvency Act 1986 or makes a general assignment for the benefit of its creditors; or
- (h) if the Principal Subsidiary shall cease to be a subsidiary of the Issuer within the meaning of Section 1159 of the Companies Act 2006 (except pursuant to such a reconstruction, amalgamation, merger, consolidation, reorganisation or other similar arrangement as is referred to in paragraph (e) above),

provided in the case of any such event other than those described in paragraphs (a), (b) or (except where such event relates to the Principal Subsidiary) (e) of this Condition 10, the Trustee shall have certified in writing to the Issuer that such event is in its opinion materially prejudicial to the interests of Noteholders.

As used in these Conditions:

“Adjusted Capital and Reserves” means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of L&G; and
- (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account,

all as shown in the then latest audited consolidated balance sheet and profit and loss account of L&G prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of L&G since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries of L&G comprising the Group. A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of L&G as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties whether or not addressed to each such party.

“Group” means L&G and its Subsidiaries taken as a whole.

“Principal Subsidiary” means Legal & General Assurance Society Limited for so long as it remains a Subsidiary of L&G.

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

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

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting



convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, [or]<sup>9</sup> (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution[, or (viii) to modify or cancel the Guarantee]<sup>10</sup>, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

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

**(c) *Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any subsidiary or holding company of the Issuer or its successor in business [or of the Guarantor or its successor in business or any subsidiary or holding company of the Guarantor or its successor in business)]<sup>10</sup> in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the Notes [or the substitution of the Guarantor's successor in business or any subsidiary or holding company of the Guarantor or its successor in business in place of the Guarantor, or of any previously substituted company as Guarantor under the Trust Deed and the Notes]<sup>10</sup>. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Any such substitution shall be binding on all the Noteholders and the Couponholders.

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9 Square bracketed text to appear on Senior Notes issued by L&G.

10 Square bracketed text to appear on Senior Notes issued by L&GF and guaranteed by L&G.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer [or the Guarantor]<sup>10</sup> any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

**12. Enforcement**

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

**13. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer[, the Guarantor]<sup>10</sup> and any entity related to the Issuer [or the Guarantor]<sup>10</sup> without accounting for any profit.

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

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

**15. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

**16. Notices**

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

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

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

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

**18. Governing Law**

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

## TERMS AND CONDITIONS OF THE TIER 3 NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Tier 3 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificate(s) representing each Series of Tier 3 Notes issued by L&G. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to provisions endorsed on the face of the relevant Note as set out in the relevant Final Terms. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these terms and conditions to “Notes” are to the Tier 3 Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by a Trust Deed dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Deed dated 23 March 2018, and as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) between Legal & General Group Plc (“L&G” or the “Issuer”), Legal & General Finance PLC (“L&GF”) and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Agreement dated 31 May 2017 and as amended or supplemented as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes between L&G, L&GF, the Trustee, Citibank, N.A. as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) from time to time are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar) and the “Calculation Agent(s)” (together, the “Agents”). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

The Notes are issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”) in each case in the Specified Denomination(s) shown hereon provided that all Notes shall have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Fixed Rate Reset Note, a Fixed to Floating Rate Note, a Floating Rate Note or a Zero Coupon Note depending upon the Interest Basis and the Redemption/Payment Basis shown hereon.

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

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

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

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

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

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

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

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

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

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

Each new Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and surrender of the relevant Certificate shall have been made or, at the option of the holder making such delivery and

surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “Business Day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(d) *Transfer Free of Charge***

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

**(e) *Closed Periods***

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

**3 Status**

**(a) *Status of Notes***

The Notes and the Coupons relating to them constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except in the case of a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Notes shall thereby become payable) or administration of the Issuer where the administrator has given notice of his intention to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank:

- (i) in the case of Notes issued with a Maturity Date specified hereon: (i) at least *pari passu* with all other obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 3 Capital (“Pari Passu Securities”); and (ii) in priority to the claims of holders of all obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and all classes of share capital of the Issuer (“Junior Securities”); and
- (ii) in the case of Notes issued without a Maturity Date specified hereon: (i) at least *pari passu* with all other obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 3 Capital (“Pari Passu Securities”); and (ii) in priority to the claims of holders of all obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 2 Capital or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and all classes of share capital of the Issuer (“Junior Securities”).

**(b) Solvency Condition**

All payments under or arising from the Notes and the Coupons relating to them and the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) 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 and the Coupons relating to them or the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (referred to herein as the “Solvency Condition”). For the purposes of this Condition 3(b), the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities. A report as to the solvency of the Issuer signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) 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 holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for doing so. In a winding-up of the Issuer (except in the case of a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Notes shall thereby become payable) or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Notes and the Coupons relating to them shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and (to the extent not otherwise included within the foregoing) any other amount under or arising from the Notes. Payment of such amount will be subordinated in the manner described in Condition 3(a).

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

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

Subject to applicable law, no holder of the Notes or the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons relating to them and each holder shall, by virtue of being the holder of any Note or Coupon, as the case may be, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Notes or the Coupons relating to them by the Issuer in respect of, or arising under or in connection with, the Notes or the Coupons relating to them is discharged by set-off, such holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and accordingly any such discharge shall be deemed not to have taken place. The perpetuity period for each trust created pursuant to this Condition 3(c) shall be 125 years from the date such trust becomes constituted.

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

#### **4 Interest and other Calculations**

##### **(a) Interest on Fixed Rate Notes and (until the Fixed Rate End Date) Fixed to Floating Rate Notes**

Subject to Conditions 3(b) and 5:

- (i) each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest; and
- (ii) each Fixed to Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date to (but excluding) the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest,

such interest being payable in arrear on each Interest Payment Date (in the case of a Fixed Rate Note) and on each Interest Payment Date until (and including) the Fixed Rate End Date specified hereon (in the case of a Fixed to Floating Rate Note). The amount of interest payable shall be determined in accordance with Condition 4(f).

##### **(b) Interest on Floating Rate Notes and (from the Fixed Rate End Date) Fixed to Floating Rate Notes**

###### **(i) Interest Payment Dates**

Subject to Conditions 3(b) and 5:

- (A) each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest; and
- (B) each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including) the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest,

such interest being payable in arrear on each Interest Payment Date (in the case of a Floating Rate Note) and on each Interest Payment Date after the Fixed Rate End Date specified hereon (in the case of a Fixed to Floating Rate Note). The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date (in respect of a Floating Rate Note), after the Interest Commencement Date or, in the case of the first Interest Payment Date after the Fixed Rate End Date (in respect of a Fixed to Floating Rate Note), after the Fixed Rate End Date.

###### **(ii) Business Day Convention**

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



adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes and (from the Fixed Rate End Date) for Fixed to Floating Rate Notes*

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

(A) ISDA Determination

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

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

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

(B) Screen Rate Determination

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

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

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

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

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified

hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however, that, if there is no such rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

**(c) Zero Coupon Notes**

Where a Zero Coupon Note is repayable prior to the Maturity Date and is not paid when due, the amount due and payable, subject to Condition 5, prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)).

**(d) Fixed Rate Reset Notes**

**(i) Accrual of interest**

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

- (a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition,

payable, in each case, in arrear on the relevant Interest Payment Date(s).

**(ii) Subsequent Reset Rate Screen Page**

If the Subsequent Reset Rate Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Initial Credit Spread and Step-Up Margin (if any), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

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

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

**(f) *Calculations***

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

Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, Reset Determination Date or at such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Special Redemption Price, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Special Redemption Price to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but, in any event, no later than (i) the commencement of

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

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

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount, Special Redemption Price or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(i) *Definitions***

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

“Business Day” means:

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

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

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

- (iii) if “Actual/365 (Sterling)” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Calculation Period ending on a date falling in a leap year, 366;
- (iv) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30;

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

(viii) if “Actual/Actual-ICMA” is specified hereon, then:

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

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

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

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

where:

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

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

“Euro-zone” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on the functioning of the European Union, as amended.

“Initial Credit Spread” has the meaning specified hereon.

“Initial Rate of Interest” has the meaning specified hereon.

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

“Interest Amount” means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes and in the case of

Fixed to Floating Rate Notes (prior to the Fixed Rate End Date), and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

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

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

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

“Mid-Swap Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro (or, in each case, such successor or other benchmark rate as is customarily used as at the relevant Reset Determination Date, as determined by the Issuer in consultation with the Calculation Agent).

“Mid-Swap Maturity” has the meaning specified hereon.

“Mid-Swap Rate” means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the Mid-Swap Benchmark Rate for the Mid-Swap Maturity as specified hereon (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent).

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

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon, and, in the case of a determination of the Subsequent Reset Rate if the Subsequent Reset Rate Screen Page is unavailable, the principal office of four major banks in the principal financial centre of the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.



“Reference Bond” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“Reference Bond Price” means, with respect to any Reset Determination Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Government Bond Dealer” means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer.

“Reference Rate” means the rate specified as such hereon.

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

“Reset Date” means the date(s) specified as such hereon.

“Reset Determination Date” means, for each Reset Period, the date specified hereon falling on or before the commencement of such Reset Period, on which the Subsequent Reset Rate applying during such Reset Period will be determined.

“Reset Period” means the period from (and including) the Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Date or, if there is more than one Reset Date, each period from (and including) one Reset Date to (but excluding) the next Reset Date or (if applicable) the Maturity Date.

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

“Specified Denomination(s)” has the meaning specified hereon.

*In setting the Reset Margin the Issuer shall have consideration to the limitations set out in any Relevant Rules.*

“Step-Up Margin” has the meaning specified hereon.

“Subsequent Reset Rate” for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate, (ii) the applicable Initial Credit Spread and (iii) the applicable Step-Up Margin (rounded down to four decimal places, with 0.00005 being rounded down).

“Subsequent Reset Rate Screen Page” has the meaning specified hereon.

“Subsequent Reset Rate Time” has the meaning specified hereon.

“Subsequent Reset Reference Rate” means either:

- (i) if “Mid-Swaps” is specified hereon, the Mid-Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (ii) if “Reference Bond” is specified hereon, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**(j) Calculation Agent**

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

**5 Deferral of Payments**

**(a) Optional Deferral of Interest**

If Optional Interest Payment Date is specified hereon, the Issuer may in respect of any Optional Interest Payment Date, by notice to the Noteholders and the Trustee pursuant to Condition 5(d) below, elect to defer payment of all (but not some only) of the interest accrued to that date on the Notes which would otherwise be payable on such date.

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

The Issuer may (if Optional Interest Payment Date is specified hereon) defer paying interest on each Optional Interest Payment Date until the earlier of the Maturity Date (if a Maturity Date is specified hereon) or any date on which the Notes are redeemed in full pursuant to these Conditions.

**(b) Mandatory Deferral of Interest**

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

A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer 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 (whether in whole or in part) or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Trustee and the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

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

**(c) *Arrears of Interest***

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to either Condition 5(b) or the operation of the Solvency Condition described in Condition 3(b) shall (without double-counting), together with any other interest in respect thereof not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute “Arrears of Interest”. Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Conditions 5(a), 5(b) or 3(b), may (subject to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent from, the Relevant Regulator) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the Trustee and the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) any notifications to, or consent or non-objection from the Relevant Regulator) in whole (and not in part) upon the earliest of the following dates:

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

**(d) *Notice of Deferral***

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

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a); and

- (ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and 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 was made (in whole or in part) on such Interest Payment Date, provided that, if a Regulatory Deficiency Interest Deferral Event occurs 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 the Issuer shall not be in breach of its obligation to give not less than five Business Days' notice if it gives less than five Business Days' notice in such circumstances.

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

### **(a) Redemption**

- (i) Subject to Conditions 3(b) and 6(a)(ii), and (to the extent then required by the Relevant Regulator or the Relevant Rules) to compliance by the Issuer with regulatory rules on notification to, or consent or non-objection from, the Relevant Regulator, unless previously redeemed or purchased and cancelled as provided in this Condition 6, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.
- (ii) No Notes shall be redeemed pursuant to Conditions 6(a)(i), 6(d), 6(e), 6(f) or 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6(a)(i) applies, the Maturity Date or, if Condition 6(d), 6(e), 6(f) or 6(g) applies, any date specified for redemption in accordance with the relevant Condition or if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) on any such date or if such redemption otherwise cannot be effected in compliance with the Relevant Rules on any such 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(d), 6(e), 6(f) or 6(g) as a result of Condition 6(a)(ii) or as a result of the Relevant Regulator not consenting to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject to Condition 3(b) (in the case of sub-paragraphs (A) and (B) below only) and to any (to the extent required by the Relevant Regulator or the Relevant Rules) notifications to, or consent or non-objection from the Relevant Regulator, such Notes shall be redeemed at their principal amount or the relevant amount specified in Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) together with accrued interest 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(a)(ii) 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 Condition 6(a)(ii), (iii) and (iv) shall apply *mutatis mutandis* to determine the due date for redemption); or
  - (B) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
  - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or

amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (1) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (2) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.

- (iv) If Condition 6(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or the date specified in the notice of redemption given by the Issuer under Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) as a result of the Solvency Condition not being satisfied on the relevant date, in relation to the payment that would otherwise then be due, subject (to the extent required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from the Relevant Regulator, such Notes shall be redeemed at their principal amount or the relevant amount specified in Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the day on which (A) the Solvency Condition is satisfied prior to and immediately following after the redemption and (B) redemption of the Notes would not result in the Solvency Condition not being satisfied, 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, or if the Relevant Regulator does not (to the extent required by the Relevant Regulator or the Relevant Rules) consent to, or objects to, the redemption or if such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, then the Notes shall not be redeemed on such date and Condition 3(b) and Condition 6(a)(iii) shall apply *mutatis mutandis* to determine the new date on which the Issuer shall be obliged to redeem the Notes.
- (v) A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer addressed 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, shall, in the absence of manifest error, be treated and accepted by the Trustee and the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for doing so.
- (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders, Couponholders or the Trustee any right to accelerate any payment.
- (vii) Any Notes with no Maturity Date specified hereon may be redeemed only in accordance with the provisions of this Condition 6 or as provided in Condition 10.

**(b) Early Redemption**

*Zero Coupon Notes*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to this Condition 6 or as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount

equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to this Condition 6 or as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue from (and including the Maturity Date) to (but excluding) the date of redemption in accordance with Condition 4(c).

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

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

Prior to any notice of redemption before the Maturity Date (if any) or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with regulatory rules on notification to, or consent or non-objection from (in each case, if and to the extent required), the Relevant Regulator, to be in continued compliance with the Regulatory Capital Requirements applicable to it from time to time and to be satisfied that such redemption, variation or purchase is not prohibited by the Relevant Rules. A certificate signed by any two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer confirming such compliance and delivered to the Trustee shall be conclusive evidence of such compliance and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

In the case of a redemption or purchase that is within five years of the Issue Date of the Notes (or, if any further Tranche(s) of the Notes has or have been issued pursuant to Condition 15 and consolidated to form a single series with the Notes, within five years of the Issue Date of the latest such Tranche to be issued):

- (i) the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) stating that it would have been reasonable for the Issuer to conclude, judged at the Issue Date of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption or purchase was unlikely to occur. 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; and
- (ii) such redemption or purchase shall, if required by the Relevant Rules, be (x) funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes or (y) effected by way of exchange or conversion of the Notes into capital of at least the same quality as the Notes.

**(d) *Redemption, Substitution or Variation at the Option of the Issuer due to Taxation Reasons***

If the Issuer determines that immediately before the giving of the notice referred to below, as a result of a Tax Law Change, either:

- (i) on the occasion of the next payment due in respect of the Notes, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; or
- (ii) on the next Interest Payment Date, the payment of interest in respect of the Notes would be treated as a “distribution” within the meaning of Chapter 2 of Part 23 of the Corporation Tax Act 2010 (as amended, re-enacted, replaced or rewritten), the Issuer may, at its option:

- (A) subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' notice (a "Tax Redemption Notice") to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (which notice shall be irrevocable), redeem all, but not some only, of the Notes at any time (if this Note is either not a Floating Rate Note or is a Fixed to Floating Rate Note prior to its Fixed Rate End Date) or on any Interest Payment Date (if this Note is either a Floating Rate Note or a Fixed to Floating Rate Note following its Fixed Rate End Date) at their Early Redemption Amount together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (B) subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders, or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (but not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Qualifying Tier 3 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and the receipt by it of the certificates referred to both below and in the definition of Qualifying Tier 3 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the holders of Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any Tax Redemption Notice or notice of substitution or variation as provided in this Condition 6(d), the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption, substitution or variation, as the case may be, and setting forth a statement of facts showing that the Issuer has become, or is or would be, required to pay additional amounts or that the payment of interest has become, or is or would be, treated as a "distribution" as aforesaid, and (2) an opinion in form and substance reasonably satisfactory to the Trustee of independent legal advisers of recognised standing in accordance with the Trust Deed. The Trustee shall, without enquiring and without any liability therefor, accept such certificate as sufficient evidence of the satisfaction of either or both of the circumstances set out above, as the case may be, and such certificate shall be conclusive and binding on the Noteholders and the Couponholders.

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

For this purpose: "Tax Law Change" means a change in or proposed change in, or amendment to or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in or proposed change in the application or official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Notes, which change or amendment or proposed change or amendment becomes, or would become, effective, or which

interpretation or pronouncement is made, in each case on or after the Issue Date of the first Tranche of the Notes.

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

Unless the Issuer shall have given notice to redeem the Notes under Conditions 6(d), 6(f) or 6(g) on or prior to the expiration of the notice referred to below, and if a Call Option is specified hereon, the Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided hereon, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption must relate to Notes of an aggregate principal amount at least equal to the Minimum Redemption Amount specified hereon and no greater than the Maximum Redemption Amount specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

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

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

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

- (i) the Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' notice to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (in accordance with Condition 16) (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as such Notes are Floating Rate Notes or, if the Notes are Fixed to Floating Rate Notes, following their Fixed Rate End Date, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (and not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Qualifying Tier 3 Securities and the Trustee shall (subject to the following provisions of this Condition 6(f) and subject to the receipt by it of the certificates referred to below and in the definition of Qualifying Tier 3 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the holders of Notes. If the Trustee does not



so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and a legal opinion in accordance with the Trust Deed, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event and (in the case of a proposed substitution or variation) that the substitution or variation, as the case may be, shall create Qualifying Tier 3 Securities (without liability to any person for so doing), in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

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

If a Rating Methodology Call is specified hereon and if a Rating Methodology Event occurs, within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the first anniversary of such occurrence, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' notice to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (in accordance with Condition 16) (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note or, if the Note is a Fixed to Floating Rate Note, following its Fixed Rate End Date, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (and not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below, in the definition of Qualifying Tier 3 Securities, and in the definition of Rating Agency Compliant Securities) agree to such substitution or variation.

The Trustee shall, at the Issuer's expense, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes by or into Rating Agency Compliant Securities by executing such documents as the Issuer may consider necessary for this purpose provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the Noteholders. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(g), the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that a Rating Methodology Event has

occurred and is continuing as at the date of the certificate and a legal opinion in accordance with the Trust Deed and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person for so doing) and that the substitution or variation shall create Rating Agency Compliant Securities, in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(h) Purchases**

Subject to Conditions 3(b) and 6(c), the Issuer and any of its Subsidiaries for the time being may, having given prior written notice to, and received no objection from, the Relevant Regulator (so long as such notice is required to be given), at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(i) Cancellation**

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

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

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

## **7 Payments and Talons**

**(a) Bearer Notes**

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

**(b) Registered Notes**

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

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

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

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

Without prejudice to the provisions of Condition 8, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents), the Issuer will not be required to pay any additional amounts on account of a withholding or deduction for, or on account of, any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements and the Issuer shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Notes or Coupons. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. For the purposes of the preceding sentence, the phrase “fiscal or other laws, regulations and directives” shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code (“FATCA”) or any agreement entered into pursuant to FATCA.

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

The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agents provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require, and (v) a Paying Agent having a specified office in London so long as the Notes are admitted to the Official List of the UK Listing Authority acting under Part VI of the Financial Services and Markets Act 2000 and admitted to trading on the Main Market of the London Stock Exchange.

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

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

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

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

**(g) *Talons***

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

**(h) *Non-Business Days***

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

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

## **8 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts in respect of interest payments (but not in respect of any payments of principal) as shall result in receipt by the holders of Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

### **(a) Other Connection**

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

### **(b) Lawful Avoidance of Withholding**

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

### **(c) Presentation More Than 30 Days After the Relevant Date**

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

### **(d) Presentation for Payment in the United Kingdom**

presented for payment in the United Kingdom; or

### **(e) Any Combination**

where the requirement to withhold or deduct which would otherwise give rise to the obligation to pay additional amounts arises out of any combination of paragraphs (a) to (d) above.

As used in these Conditions, “Relevant Date” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption

Amounts, Special Redemption Price, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## **9 Prescription**

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

## **10 Events of Default and Enforcement**

### **(a) Right to Institute Winding-up**

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

If:

- (i) default is made for a period of seven days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) default is made for a period of seven days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may at its discretion and without further notice (subject to Condition 10(d)) institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to this Condition 10(a), otherwise than during or after a winding-up of the Issuer or after any administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or received no objection (if required) from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

### **(b) Amount Payable on Winding-up**

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

and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.

**(c) *Enforcement***

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

**(d) *Entitlement of the Trustee***

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

**(e) *Rights of Noteholders***

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding up of the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

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

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

## **11 Meetings of Noteholders, Modification and Waiver**

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of

maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Special Redemption Price or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify Condition 3, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

Notwithstanding the foregoing, 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 to which the Trustee has been obliged to agree in the circumstances described in Conditions 6(d) or 6(f) in connection with the substitution or variation of the Notes so that they remain, are replaced by, or become, Qualifying Tier 3 Securities, or in the circumstances described in Condition 6(g) in connection with the substitution or variation of the Notes so that they are replaced by, remain, or become, Rating Agency Compliant Securities, and no such substitution, variation or amendment proposed in relation thereto shall be regarded as a matter described in (i) to (viii) in the paragraph above.

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

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

**(c) *Notice to Relevant Regulator***

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

**12 Entitlement of the Trustee**

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



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

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

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

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

### **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

### **16 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

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

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

## 18 Definitions

In addition to the terms defined elsewhere in these Conditions, as used herein:

“Arrears of Interest” has the meaning given to it in Condition 5(c);

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

a “Capital Disqualification Event” is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, 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 the Issuer, the Group, or any insurance or reinsurance undertaking within the Group whether on a solo, group or consolidated basis (except where any such non qualification is only as a result of any applicable limitation on the amount of such capital);

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

“Compulsory Interest Payment Event” means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (ii) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under the terms of such Junior Securities; or
- (iii) any declaration, payment or making of a dividend, distribution or coupon on any Pari Passu Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under the terms of such Pari Passu Securities; or
- (iv) any repurchase by the Issuer of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme, share ownership scheme, or any other share scheme or share plan for management or employees of the Issuer or management or employees of affiliates of the Issuer; or
- (v) any redemption or repurchase by the Issuer or any Subsidiary of the Issuer of any other Junior Securities for cash, except a redemption required to be effected under the terms of such Junior Securities; or
- (vi) any redemption or repurchase by the Issuer or any Subsidiary of the Issuer of any Pari Passu Securities for cash, except a redemption required to be effected under the terms of such Pari Passu Securities,

provided that if at any time, and for so long as, the existence of any of the Compulsory Interest Payment Events at paragraphs (ii), (iii), (v) and/or (vi) above would result in the Notes or any part thereof ceasing to be eligible to qualify as Tier 3 Capital under the Relevant Rules, each of those paragraphs which would cause such result shall have no effect and the circumstances described therein shall not constitute a Compulsory Interest Payment Event;

“EIOPA” means the European Insurance and Occupational Pensions Authority;

“Group” means the Issuer and its Subsidiaries;

“Insolvent Insurer Winding-up” means:

- (i) the winding-up of any insurance undertaking within the Group; or

(ii) the appointment of an administrator of any insurance undertaking within the Group,

in each case, where the claims of the policyholders and beneficiaries pursuant to a contract of insurance of that insurance undertaking which is in winding-up or administration may or will not be met (and, for these purposes, the claims of policyholders or beneficiaries pursuant to a contract of insurance shall include all amounts to which such policyholders or such beneficiaries 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 such policyholders or such beneficiaries may have);

“insurance undertaking” has the meaning given to it in the Relevant Rules;

“Junior Securities” has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

“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;

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

“Maturity Date” means the date, if any, specified hereon, which shall (if any Maturity Date is specified hereon) be a date falling at least five years after the Issue Date;

“Minimum Capital Requirement” means the Minimum Capital Requirement, the group Minimum Capital Requirement or the group Minimum Solvency Capital Requirement (as applicable) referred to in the Relevant Rules;

“Optional Interest Payment Date”, if specified hereon, means any Interest Payment Date other than a Compulsory Interest Payment Date, if Compulsory Interest Payment Date is specified hereon, or a Mandatory Interest Deferral Date;

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

“Pari Passu Securities” has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

“Qualifying Tier 3 Securities” means securities issued (including by way of exchange, conversion or otherwise) directly or indirectly by the Issuer that:

- (i) 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, and provided that a certificate to such effect (including as to the consultation with the independent investment bank and as to the matters specified in (1) to (6) below) of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities, or variation of the terms of the Notes so that they become such securities, upon which certificate the Trustee shall be entitled to rely without enquiry and without liability to any person for so doing), provided that they shall (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 3 Capital; (2) carry at least the same rate of interest as the rate from time to time applying to the Notes and preserve the Interest Payment Dates; (3) rank senior to, or *pari passu* with, the Notes; (4) provide for the same Maturity Date (if one is specified hereon) and preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to the timing of, and amounts payable upon, such redemption; (5) not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption

through the write-down of the nominal amount of the securities or the conversion of such securities into shares; and (6) preserve any existing rights under these Conditions to any accrued interest which has not been paid, any Arrears of Interest which have not been paid and any other amounts which have not been paid; and

(ii) are listed or admitted to trading on the Main Market of the London Stock Exchange;

“Rating Agency” means Standard & Poor’s Credit Markets Services Europe Limited, Moody’s Investors Service Limited, A.M. Best Europe Rating Services Limited, Fitch Ratings Ltd or any of their respective successors;

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

(i) Qualifying Tier 3 Securities; and

(ii) assigned substantially the same equity content or at the absolute discretion of the Issuer a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Rating Methodology Event) than that which was assigned by the Rating Agency to the Notes on or around the Issue Date of the first Tranche of the Notes and provided that a certificate to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities, upon which certificate the Trustee shall be entitled to rely without enquiry and without liability to any person for so doing;

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

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

“Regulatory Deficiency Interest Deferral Event” means any event (including, without limitation, any event which causes any Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached and such breach is an event) which under the Relevant Rules would require the Issuer to defer payment of interest in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 3 Capital under the Relevant Rules) and the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes;

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or, as the case may be, such breach is, an event) which under the Relevant Rules would require the Issuer to defer repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 3 Capital under the Relevant Rules) and the Relevant Regulator has not waived the requirement to defer repayment or redemption of the Notes;

“Relevant Regulator” 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 Issuer and/or the Group;

“Relevant Rules” means, at any time, legislation, rules, guidelines or regulations (whether having the force of law or otherwise) then applying to the Issuer or the 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, guidelines or regulations of the Relevant Regulator relating to such matters;

“Senior Creditors” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer (including, without limitation, all policyholders of the Issuer and all beneficiaries under contracts of insurance written by the Issuer) and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would, but for any applicable limitation on the amount of any such capital, constitute (i) Tier 1 Capital, (ii) Tier 2 Capital, (iii) Tier 3 Capital or (iv) claims otherwise ranking, or expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“Solvency Capital Requirement” means the Solvency Capital Requirement or the group Solvency Capital Requirement referred to in, or any other capital requirement (as applicable) howsoever described in, the Relevant Rules;

“Solvency Condition” has the meaning given to it in Condition 3(b);

“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 Solvency II Regulation), directive, application of guidelines issued by EIOPA 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);

“Solvency II Regulation” means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

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

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

“Tier 1 Capital”, “Tier 2 Capital” and “Tier 3 Capital” have the respective meanings given to them for the purposes of the Relevant Rules from time to time;

“UK Listing Authority” means the UK Financial Conduct Authority in its capacity as the UK listing authority for the purposes of the Financial Services and Markets Act 2000 (“FSMA”) or any successor authority appointed as the competent UK listing authority for the purposes of Part VI (Official Listing) of the FSMA or otherwise; and

“United Kingdom” or “UK” means the United Kingdom of Great Britain and Northern Ireland.

## **19 Governing Law**

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

## TERMS AND CONDITIONS OF THE TIER 2 NOTES

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

The Notes are constituted by a Trust Deed dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Deed dated 23 March 2018, and as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) between Legal & General Group Plc (“L&G” or the “Issuer”), Legal & General Finance PLC (“L&GF”) and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 8 April 2003 (as amended and restated pursuant to an Amending and Restating Agreement dated 31 May 2017 and as amended or supplemented as at the Issue Date, the “Agency Agreement”) has been entered into in relation to the Notes between L&G, L&GF, the Trustee, Citibank, N.A. as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) from time to time are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar) and the “Calculation Agent(s)” (together, the “Agents”). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

The Notes are issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”) in each case in the Specified Denomination(s) shown hereon provided that all Notes shall have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Fixed Rate Reset Note, a Fixed to Floating Rate Note, a Floating Rate Note or a Zero Coupon Note depending upon the Interest Basis and the Redemption/Payment Basis shown hereon.

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

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

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

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

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

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

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

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

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

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

Each new Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and surrender of the relevant Certificate shall have been made or, at the option of the holder making such delivery and

surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “Business Day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(d) *Transfer Free of Charge***

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

**(e) *Closed Periods***

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

**3. Status**

**(a) *Status of Notes***

The Notes and the Coupons relating to them constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except in the case of a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Notes shall thereby become payable) or administration of the Issuer where the administrator has given notice of his intention to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank:

- (i) in the case of Notes issued with a Maturity Date specified hereon: (i) at least *pari passu* with all other obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 2 Capital (other than Existing Undated Tier 2 Securities) (“*Pari Passu Securities*”); and (ii) in priority to the claims of holders of Existing Undated Tier 2 Securities, all obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and all classes of share capital of the Issuer (“*Junior Securities*”); and
- (ii) in the case of Notes issued without a Maturity Date specified hereon: (i) at least *pari passu* with all other obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 2 Capital (other than Existing Undated Tier 2 Securities) (“*Pari Passu Securities*”); and (ii) in priority to the claims of holders of Existing Undated Tier 2 Securities, all obligations of the Issuer which constitute (or would but for any applicable limitation on the amount of such capital constitute) Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and all classes of share capital of the Issuer (“*Junior Securities*”).



**(b) Solvency Condition**

All payments under or arising from the Notes and the Coupons relating to them and the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) 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 and the Coupons relating to them or the Trust Deed (including, without limitation, any payments in respect of damages awarded for breach of any obligations) unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (referred to herein as the “Solvency Condition”). For the purposes of this Condition 3(b), the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities. A report as to the solvency of the Issuer signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) 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 holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for doing so. In a winding-up of the Issuer (except in the case of a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Notes shall thereby become payable) or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Notes and the Coupons relating to them shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and (to the extent not otherwise included within the foregoing) any other amount under or arising from the Notes. Payment of such amount will be subordinated in the manner described in Condition 3(a).

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

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

Subject to applicable law, no holder of the Notes or the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons relating to them and each holder shall, by virtue of being the holder of any Note or Coupon, as the case may be, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Notes or the Coupons relating to them by the Issuer in respect of, or arising under or in connection with, the Notes or the Coupons relating to them is discharged by set-off, such holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and accordingly any such discharge shall be deemed not to have taken place. The perpetuity period for each trust created pursuant to this Condition 3(c) shall be 125 years from the date such trust becomes constituted.

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

#### **4 Interest and other Calculations**

##### **(a) Interest on Fixed Rate Notes and (until the Fixed Rate End Date) Fixed to Floating Rate Notes**

Subject to Conditions 3(b) and 5:

- (i) each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest; and
- (ii) each Fixed to Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date to (but excluding) the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest,

such interest being payable in arrear on each Interest Payment Date (in the case of a Fixed Rate Note) and on each Interest Payment Date until (and including) the Fixed Rate End Date specified hereon (in the case of a Fixed to Floating Rate Note). The amount of interest payable shall be determined in accordance with Condition 4(f).

##### **(b) Interest on Floating Rate Notes and (from the Fixed Rate End Date) Fixed to Floating Rate Notes**

###### **(i) Interest Payment Dates**

Subject to Conditions 3(b) and 5;

- (A) each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest; and
- (B) each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including) the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest,

such interest being payable in arrear on each Interest Payment Date (in the case of a Floating Rate Note) and on each Interest Payment Date after the Fixed Rate End Date specified hereon (in the case of a Fixed to Floating Rate Note). The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date (in respect of a Floating Rate Note), after the Interest Commencement Date or, in the case of the first Interest Payment Date after the Fixed Rate End Date (in respect of a Fixed to Floating Rate Note), after the Fixed Rate End Date.

###### **(ii) Business Day Convention**

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

day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes and (from the Fixed Rate End Date) for Fixed to Floating Rate Notes*

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

(A) ISDA Determination

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

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

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

(B) Screen Rate Determination

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

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

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

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

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates

based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however, that, if there is no such rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

**(c) Zero Coupon Notes**

Where a Zero Coupon Note is repayable prior to the Maturity Date and is not paid when due, the amount due and payable, subject to Condition 5, prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)).

**(d) Fixed Rate Reset Notes**

**(i) Accrual of interest**

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

- (a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition,

payable, in each case, in arrear on the relevant Interest Payment Date(s).

**(ii) Subsequent Reset Rate Screen Page**

If the Subsequent Reset Rate Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Initial Credit Spread and Step-Up Margin (if any), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

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

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

**(f) *Calculations***

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

Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

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

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

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

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount, Special Redemption Price or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(i) *Definitions***

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

“Business Day” means:

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

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

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

- (iii) if “Actual/365 (Sterling)” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Calculation Period ending on a date falling in a leap year, 366;
- (iv) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

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

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

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

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



where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30;

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

(viii) if “Actual/Actual-ICMA” is specified hereon, then:

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

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

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

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

where:

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

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

“Euro-zone” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on the functioning of the European Union, as amended.

“Initial Credit Spread” has the meaning specified hereon.

“Initial Rate of Interest” has the meaning specified hereon.

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

“Interest Amount” means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes and in the case of

Fixed to Floating Rate Notes (prior to the Fixed Rate End Date), and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

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

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

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

“Mid-Swap Benchmark Rate” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro (or, in each case, such successor or other benchmark rate as is customarily used as at the relevant Reset Determination Date, as determined by the Issuer in consultation with the Calculation Agent).

“Mid-Swap Maturity” has the meaning specified hereon.

“Mid-Swap Rate” means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the Mid-Swap Benchmark Rate for the Mid-Swap Maturity as specified hereon (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent).

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

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon, and, in the case of a determination of the Subsequent Reset Rate if the Subsequent Reset Rate Screen Page is unavailable, the principal office of four major banks in the principal financial centre of the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

“Reference Bond” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“Reference Bond Price” means, with respect to any Reset Determination Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

“Reference Government Bond Dealer” means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues.

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer.

“Reference Rate” means the rate specified as such hereon.

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

“Reset Date” means the date(s) specified as such hereon.

“Reset Determination Date” means, for each Reset Period, the date specified hereon falling on or before the commencement of such Reset Period, on which the Subsequent Reset Rate applying during such Reset Period will be determined.

“Reset Period” means the period from (and including) the Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Date or, if there is more than one Reset Date, each period from (and including) one Reset Date to (but excluding) the next Reset Date or (if applicable) the Maturity Date.

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

“Specified Denomination(s)” has the meaning specified hereon.

*In setting the Reset Margin the Issuer shall have consideration to the limitations set out in any Relevant Rules.*

“Step-Up Margin” has the meaning specified hereon.

“Subsequent Reset Rate” for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate, (ii) the applicable Initial Credit Spread and (iii) the applicable Step-Up Margin (rounded down to four decimal places, with 0.00005 being rounded down).

“Subsequent Reset Rate Screen Page” has the meaning specified hereon.

“Subsequent Reset Rate Time” has the meaning specified hereon.

“Subsequent Reset Reference Rate” means either:

- (i) if “Mid-Swaps” is specified hereon, the Mid-Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (ii) if “Reference Bond” is specified hereon, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**(j) Calculation Agent**

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

**5 Deferral of Payments**

**(a) Optional Deferral of Interest**

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

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

The Issuer may defer paying interest on each Optional Interest Payment Date until the earlier of the Maturity Date (if a Maturity Date is specified hereon) or any date on which the Notes are redeemed in full pursuant to these Conditions.

**(b) Mandatory Deferral of Interest**

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

A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer 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 (whether in whole or in part) or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Trustee and the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

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

**(c) *Arrears of Interest***

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to either Condition 5(b) or the operation of the Solvency Condition described in Condition 3(b) shall (without double-counting), together with any other interest in respect thereof not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute “Arrears of Interest”. Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Conditions 5(a), 5(b) or 3(b), may (subject to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent from, the Relevant Regulator) be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the Trustee and the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) any notifications to, or consent or non-objection from the Relevant Regulator) in whole (and not in part) upon the earliest of the following dates:

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

**(d) *Notice of Deferral***

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

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a); and
- (ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and 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 was made (in whole or in part) on such Interest

Payment Date, provided that, if a Regulatory Deficiency Interest Deferral Event occurs 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 the Issuer shall not be in breach of its obligation to give not less than five Business Days' notice if it gives less than five Business Days' notice in such circumstances.

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

### **(a) Redemption**

- (i) Subject to Conditions 3(b) and 6(a)(ii), and (to the extent then required by the Relevant Regulator or the Relevant Rules) to compliance by the Issuer with regulatory rules on notification to, or consent or non-objection from, the Relevant Regulator, unless previously redeemed or purchased and cancelled as provided in this Condition 6, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.
- (ii) No Notes shall be redeemed pursuant to Conditions 6(a)(i), 6(d), 6(e), 6(f) or 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6(a)(i) applies, the Maturity Date or, if Condition 6(d), 6(e), 6(f) or 6(g) applies, any date specified for redemption in accordance with the relevant Condition or if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) on any such date or if such redemption otherwise cannot be effected in compliance with the Relevant Rules on any such 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(d), 6(e), 6(f) or 6(g) as a result of Condition 6(a)(ii) or as a result of the Relevant Regulator not consenting to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or because such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject to Condition 3(b) (in the case of sub-paragraphs (A) and (B) below only) and to any (to the extent required by the Relevant Regulator or the Relevant Rules) notifications to, or consent or non-objection from the Relevant Regulator, such Notes shall be redeemed at their principal amount or the relevant amount specified in Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) together with accrued interest 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(a)(ii) 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 Condition 6(a)(ii), (iii) and (iv) shall apply *mutatis mutandis* to determine the due date for redemption); or
  - (B) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
  - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (1) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (2) do not provide that the Notes shall thereby become

payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.

- (iv) If Condition 6(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or the date specified in the notice of redemption given by the Issuer under Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) as a result of the Solvency Condition not being satisfied on the relevant date, in relation to the payment that would otherwise then be due, subject (to the extent required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from the Relevant Regulator, such Notes shall be redeemed at their principal amount or the relevant amount specified in Condition 6(d), 6(e), 6(f) or 6(g) (as applicable) together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the day on which (A) the Solvency Condition is satisfied prior to and immediately following after the redemption and (B) redemption of the Notes would not result in the Solvency Condition not being satisfied, 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, or if the Relevant Regulator does not (to the extent required by the Relevant Regulator or the Relevant Rules) consent to, or objects to, the redemption or if such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, then the Notes shall not be redeemed on such date and Condition 3(b) and Condition 6(a)(iii) shall apply *mutatis mutandis* to determine the new date on which the Issuer shall be obliged to redeem the Notes.
- (v) A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer addressed 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, shall, in the absence of manifest error, be treated and accepted by the Trustee and the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for doing so.
- (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders, Couponholders or the Trustee any right to accelerate any payment.
- (vii) Any Notes with no Maturity Date specified hereon may be redeemed only in accordance with the provisions of this Condition 6 or as provided in Condition 10.

**(b) Early Redemption**

*Zero Coupon Notes*

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

Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue from (and including the Maturity Date) to (but excluding) the date of redemption in accordance with Condition 4(c).

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

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

Prior to any notice of redemption before the Maturity Date (if any) or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with regulatory rules on notification to, or consent or non-objection from (in each case, if and to the extent required), the Relevant Regulator, to be in continued compliance with the Regulatory Capital Requirements applicable to it from time to time and to be satisfied that such redemption, variation or purchase is not prohibited by the Relevant Rules. A certificate signed by any two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer confirming such compliance and delivered to the Trustee shall be conclusive evidence of such compliance and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

In the case of a redemption or purchase that is within five years of the Issue Date of the Notes (or, if any further Tranche(s) of the Notes has or have been issued pursuant to Condition 15 and consolidated to form a single series with the Notes, within five years of the Issue Date of the latest such Tranche to be issued):

- (i) the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) stating that it would have been reasonable for the Issuer to conclude, judged at the Issue Date of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption or purchase was unlikely to occur. 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; and
- (ii) such redemption or purchase shall, if required by the Relevant Rules, be (x) funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes or (y) effected by way of exchange or conversion of the Notes into capital of at least the same quality as the Notes.

**(d) *Redemption, Substitution or Variation at the Option of the Issuer due to Taxation Reasons***

If the Issuer determines that immediately before the giving of the notice referred to below, as a result of a Tax Law Change, either:

- (i) on the occasion of the next payment due in respect of the Notes, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; or
- (ii) on the next Interest Payment Date, the payment of interest in respect of the Notes would be treated as a “distribution” within the meaning of Chapter 2 of Part 23 of the Corporation Tax Act 2010 (as amended, re-enacted, replaced or rewritten),

the Issuer may, at its option:

- (A) subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days’ notice (a “Tax Redemption Notice”) to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (which notice shall be irrevocable),



redeem all, but not some only, of the Notes at any time (if this Note is either not a Floating Rate Note or is a Fixed to Floating Rate Note prior to its Fixed Rate End Date) or on any Interest Payment Date (if this Note is either a Floating Rate Note or a Fixed to Floating Rate Note following its Fixed Rate End Date) at their Early Redemption Amount together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or

- (B) subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders, or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (but not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and the receipt by it of the certificates referred to both below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the holders of Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any Tax Redemption Notice or notice of substitution or variation as provided in this Condition 6(d), the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption, substitution or variation, as the case may be, and setting forth a statement of facts showing that the Issuer has become, or is or would be, required to pay additional amounts or that the payment of interest has become, or is or would be, treated as a "distribution" as aforesaid, and (2) an opinion in form and substance reasonably satisfactory to the Trustee of independent legal advisers of recognised standing in accordance with the Trust Deed. The Trustee shall, without enquiring and without any liability therefor, accept such certificate as sufficient evidence of the satisfaction of either or both of the circumstances set out above, as the case may be, and such certificate shall be conclusive and binding on the Noteholders and the Couponholders.

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

For this purpose: "Tax Law Change" means a change in or proposed change in, or amendment to or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in or proposed change in the application or official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Notes, which change or amendment or proposed change or amendment becomes, or would become, effective, or which interpretation or pronouncement is made, in each case on or after the Issue Date of the first Tranche of the Notes.

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

Unless the Issuer shall have given notice to redeem the Notes under Conditions 6(d), 6(f) or 6(g) on or prior to the expiration of the notice referred to below, and if a Call Option is specified hereon, the

Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided hereon, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption must relate to Notes of an aggregate principal amount at least equal to the Minimum Redemption Amount specified hereon and no greater than the Maximum Redemption Amount specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

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

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

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

- (i) the Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' notice to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (in accordance with Condition 16) (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as such Notes are Floating Rate Notes or, if the Notes are Fixed to Floating Rate Notes, following their Fixed Rate End Date, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (and not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this Condition 6(f) and subject to the receipt by it of the certificates referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the holders of Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and a legal opinion in accordance with the

Trust Deed, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event and (in the case of a proposed substitution or variation) that the substitution or variation, as the case may be, shall create Qualifying Tier 2 Securities (without liability to any person for so doing), in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

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

If a Rating Methodology Call is specified hereon and if a Rating Methodology Event occurs, within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the first anniversary of such occurrence, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Conditions 3(b), 6(a)(ii) and 6(c), having given not less than 30 or more than 60 days' notice to the Issuing and Paying Agent, the Trustee and, if the Notes are Registered Notes, the holders of such Notes (in accordance with Condition 16) (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note or, if the Note is a Fixed to Floating Rate Note, following its Fixed Rate End Date, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 6(c) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 or more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time for all (and not some only) of the Notes, or vary the terms of all (but not some only) of the Notes so that they become, Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below, in the definition of Qualifying Tier 2 Securities, and in the definition of Rating Agency Compliant Securities) agree to such substitution or variation.

The Trustee shall, at the Issuer's expense, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes by or into Rating Agency Compliant Securities by executing such documents as the Issuer may consider necessary for this purpose provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the Notes which, in the Trustee's opinion, would impose more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the Noteholders. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(g), the Issuer shall deliver to the Trustee a certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate and a legal opinion in accordance with the Trust Deed and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person for so doing) and that the substitution or variation shall create Rating Agency Compliant Securities, in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

**(h) Purchases**

Subject to Conditions 3(b) and 6(c), the Issuer and any of its Subsidiaries for the time being may, having given prior written notice to, and received no objection from, the Relevant Regulator (so long as such notice is required to be given), at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(i) Cancellation**

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

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

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

**7 Payments and Talons**

**(a) Bearer Notes**

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

**(b) Registered Notes**

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

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

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

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

Without prejudice to the provisions of Condition 8, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents), the Issuer will not be required to pay any additional amounts on account of a withholding or deduction for, or on account of, any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements and the Issuer shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Notes or Coupons. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. For the purposes of the preceding sentence, the phrase “fiscal or other laws, regulations and directives” shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code (“FATCA”) or any agreement entered into pursuant to FATCA.

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

The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agents provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require, and (v) a Paying Agent having a specified office in London so long as the Notes are admitted to the Official List of the UK Listing Authority acting under Part VI of the Financial Services and Markets Act 2000 and admitted to trading on the Main Market of the London Stock Exchange.

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

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

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

- (i) Upon the due date for redemption of Bearer Notes which are Fixed Rate Notes (other than any Fixed Rate Notes where the total face value of the unmatured Coupons (if any) relating thereto exceeds the principal due in respect of such Note), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount,

Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note which is a Floating Rate Note, a Fixed Rate Reset Note, a Fixed to Floating Rate Note or (where the total face value of the unmatured Coupons (if any) exceeds the principal due in respect of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of such Note is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date (if one is specified hereon) shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) Talons**

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

**(h) Non-Business Days**

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

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

**8 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made without withholding or deduction for or on account of any taxes, duties,

assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts in respect of interest payments (but not in respect of any payments of principal) as shall result in receipt by the holders of Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

**(a) *Other Connection***

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

**(b) *Lawful Avoidance of withholding***

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

**(c) *Presentation More Than 30 Days After the Relevant Date***

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

**(d) *Presentation for Payment in the United Kingdom***

presented for payment in the United Kingdom; or

**(e) *Any Combination***

where the requirement to withhold or deduct which would otherwise give rise to the obligation to pay additional amounts arises out of any combination of paragraphs (a) to (d) above.

As used in these Conditions, “Relevant Date” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Special Redemption Price, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## **9 Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case

of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **10 Events of Default and Enforcement**

### **(a) *Right to Institute Winding-up***

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

If:

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

the Trustee may at its discretion and without further notice (subject to Condition 10(d)) institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to this Condition 10(a), otherwise than during or after a winding-up of the Issuer or after any administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or received no objection (if required) from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

### **(b) *Amount Payable on Winding-up***

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

### **(c) *Enforcement***

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



10(c) shall, subject to Condition 10(a), prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes, the Coupons or the Trust Deed (including, without limitation, payment of any principal, premium or interest in respect of the Notes or the Coupons and any damages awarded for any breach of any obligations).

**(d) *Entitlement of the Trustee***

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

**(e) *Rights of Noteholders***

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding up of the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

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

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

## **11 Meetings of Noteholders, Modification and Waiver**

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Special Redemption Price or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify Condition 3, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount

of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

Notwithstanding the foregoing, 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 to which the Trustee has been obliged to agree in the circumstances described in Conditions 6(d) or 6(f) in connection with the substitution or variation of the Notes so that they remain, are replaced by, or become, Qualifying Tier 2 Securities, or in the circumstances described in Condition 6(g) in connection with the substitution or variation of the Notes so that they are replaced by, remain, or become, Rating Agency Compliant Securities, and no such substitution, variation or amendment proposed in relation thereto shall be regarded as a matter described in (i) to (viii) in the paragraph above.

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

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

**(c) *Notice to Relevant Regulator***

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

**12 Entitlement of the Trustee**

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

**13 Indemnification of the Trustee**

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

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

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) or of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and

indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

## **16 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

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

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

## **18 Definitions**

In addition to the terms defined elsewhere in these Conditions, as used herein:

“Arrears of Interest” has the meaning given to it in Condition 5(c);

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

a “Capital Disqualification Event” is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 2 Capital for the purposes of the Issuer, the Group, or any insurance or reinsurance undertaking within the Group whether on a solo, group or consolidated basis (except where any such non qualification is only as a result of any applicable limitation on the amount of such capital);

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

“Compulsory Interest Payment Event” means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (ii) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under the terms of such Junior Securities; or
- (iii) any declaration, payment or making of a dividend, distribution or coupon on any Pari Passu Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under the terms of such Pari Passu Securities; or
- (iv) any repurchase by the Issuer of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme, share ownership scheme, or any other share scheme or share plan for management or employees of the Issuer or management or employees of affiliates of the Issuer; or
- (v) any redemption or repurchase by the Issuer or any Subsidiary of the Issuer of any other Junior Securities for cash, except a redemption required to be effected under the terms of such Junior Securities; or
- (vi) any redemption or repurchase by the Issuer or any Subsidiary of the Issuer of any Pari Passu Securities for cash, except a redemption required to be effected under the terms of such Pari Passu Securities,

provided that if at any time, and for so long as, the existence of any of the Compulsory Interest Payment Events at paragraphs (ii), (iii), (v) and/or (vi) above would result in the Notes or any part thereof ceasing to be eligible to qualify as Tier 2 Capital under the Relevant Rules, each of those paragraphs which would cause such result shall have no effect and the circumstances described therein shall not constitute a Compulsory Interest Payment Event;

“EIOPA” means the European Insurance and Occupational Pensions Authority;

“Existing Undated Tier 2 Securities” means any notes outstanding under the issue of £400,000,000 5.875% Undated Subordinated Notes issued on 24 March 2004;

“Group” means the Issuer and its Subsidiaries;

“Insolvent Insurer Winding-up” means:

- (i) the winding-up of any insurance undertaking within the Group; or
- (ii) the appointment of an administrator of any insurance undertaking within the Group,

in each case, where the claims of the policyholders and beneficiaries pursuant to a contract of insurance of that insurance undertaking which is in winding-up or administration may or will not be met (and, for these purposes, the claims of policyholders or beneficiaries pursuant to a contract of insurance shall include all amounts to which such policyholders or such beneficiaries 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 such policyholders or such beneficiaries may have);

“insurance undertaking” has the meaning given to it in the Relevant Rules;

“Junior Securities” has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

“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;

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

“Maturity Date” means the date, if any, specified hereon, which shall (if any Maturity Date is specified hereon) be a date falling at least ten years after the Issue Date;

“Minimum Capital Requirement” means the Minimum Capital Requirement, the group Minimum Capital Requirement or the group Minimum Solvency Capital Requirement (as applicable) referred to in the Relevant Rules;

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date, if Compulsory Interest Payment Date is specified hereon, or a Mandatory Interest Deferral Date;

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

“Pari Passu Securities” has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

“Qualifying Tier 2 Securities” means securities issued (including by way of exchange, conversion or otherwise) directly or indirectly by the Issuer that:

- (i) 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, and provided that a certificate to such effect (including as to the consultation with the independent investment bank and as to the matters specified in (1) to (6) below) of two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities, or variation of the terms of the Notes so that they become such securities, upon which certificate the Trustee shall be entitled to rely without enquiry and without liability to any person for so doing), provided that they shall (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 2 Capital; (2) carry at least the same rate of interest as the rate from time to time applying to the Notes and preserve the Interest Payment Dates; (3) rank senior to, or *pari passu* with, the Notes; (4) provide for the same Maturity Date (if one is specified hereon) and preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to the timing of, and amounts payable upon, such redemption; (5) not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through the write-down of the nominal amount of the securities or the conversion of such securities into shares; and (6) preserve any existing rights under these Conditions to any accrued interest which has not been paid, any Arrears of Interest which have not been paid and any other amounts which have not been paid; and
- (ii) are listed or admitted to trading on the Main Market of London Stock Exchange;

“Rating Agency” means Standard & Poor’s Credit Markets Services Europe Limited, Moody’s Investors Service Limited, A.M. Best Europe Rating Services Limited, Fitch Ratings Ltd or any of their respective successors;

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

- (i) Qualifying Tier 2 Securities; and

- (ii) assigned substantially the same equity content or at the absolute discretion of the Issuer a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Rating Methodology Event) than that which was assigned by the Rating Agency to the Notes on or around the Issue Date of the first Tranche of the Notes and provided that a certificate to such effect of two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities, upon which certificate the Trustee shall be entitled to rely without enquiry and without liability to any person for so doing;

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

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

“Regulatory Deficiency Interest Deferral Event” means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached and such breach is an event) which under the Relevant Rules would require the Issuer to defer payment of interest in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules) and the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes;

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or, as the case may be, such breach is, an event) which under the Relevant Rules would require the Issuer to defer repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules) and the Relevant Regulator has not waived the requirement to defer repayment or redemption of the Notes;

“Relevant Regulator” 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 Issuer and/or the Group;

“Relevant Rules” means, at any time, legislation, rules, guidelines or regulations (whether having the force of law or otherwise) then applying to the Issuer or the 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, guidelines or regulations of the Relevant Regulator relating to such matters;

“Senior Creditors” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer (including, without limitation, all policyholders of the Issuer and all beneficiaries under contracts of insurance written by the Issuer) and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would, but for any applicable limitation on the amount of any such capital, constitute (i) Tier 1 Capital, (ii) Existing Undated Tier 2 Securities, (iii) Tier 2 Capital or (iv) claims otherwise ranking, or expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“Solvency Capital Requirement” means the Solvency Capital Requirement or the group Solvency Capital Requirement referred to in, or any other capital requirement (as applicable) howsoever described in the Relevant Rules;

“Solvency Condition” has the meaning given to it in Condition 3(b);

“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 Solvency II Regulation), directive, application of guidelines issued by EIOPA 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);

“Solvency II Regulation” means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

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

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

“Tier 1 Capital” and “Tier 2 Capital” have the respective meanings given to them for the purposes of the Relevant Rules from time to time;

“UK Listing Authority” means the UK Financial Conduct Authority in its capacity as the UK listing authority for the purposes of the Financial Services and Markets Act 2000 (“FSMA”) or any successor authority appointed as the competent UK listing authority for the purposes of Part VI (Official Listing) of the FSMA or otherwise; and

“United Kingdom” or “UK” means the United Kingdom of Great Britain and Northern Ireland.

## **19 Governing Law**

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

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### **Initial Issue of Notes**

If the Global Notes or Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), (i) the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing system(s) will be notified whether or not such Global Notes or Global Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN or the Global Certificate is to be held otherwise than under the NSS, upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN or the Global Certificate is to be held in accordance with the NSS, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note or the Global Certificate and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are (or that are represented by a Certificate that is) initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are (or that are represented by a Certificate that is) initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for its share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under such Global Note or the Registered Notes represented by such Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such other clearing system (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer and, if applicable, the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **Exchange**

#### ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:



- (i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Overview of the Programme – Selling Restrictions”), in whole, but not in part, for Definitive Notes; and
- (ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

### ***Permanent Global Notes***

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date, in whole, but not, except as provided below, in part, for Definitive Notes:

- (i) at the option of the relevant Issuer, if such Issuer would otherwise suffer a material disadvantage in respect of the tax treatment of the Notes as a result of any change in law, regulation or practice of any jurisdiction in which the relevant Issuer is resident for tax purposes, which material disadvantage would not be suffered were the Permanent Global Note to be exchanged for Notes in definitive form, and a certificate to such effect signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer is delivered to the Trustee; or
- (ii) otherwise, if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

For the purposes of paragraph (i) above, a “change in law, regulation or practice” shall mean any change in any applicable law or regulation or in the application or interpretation thereof by any court or tribunal or any governmental, tax, fiscal, monetary or other authority charged with the administration or application thereof.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in specified denomination(s) only. A Noteholder who holds a principal amount of less than the minimum specified denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denominations.

### ***Permanent Global Certificate***

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) above, the registered holder has given the Registrar not less than 30 days’ notice at its specified office of the registered holder’s intention to effect such transfer.

### ***Delivery of Notes***

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is an NGN, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Prospectus, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### ***Exchange Date***

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

### ***Amendment to Conditions***

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### ***Payments***

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN Form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on such Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For so long as the Notes are represented by a Global Certificate, notwithstanding the provisions of Condition 7(b)(ii), each payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 1 January and 25 December. If the Global Note is an NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each payment in respect of the Notes shall be entered pro rata in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under an NGN will be made to its holder and payments under Registered Notes represented by a Global Certificate held under the NSS will be made to the registered holder. Each payment so made will discharge the Issuer’s obligations in respect

thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purposes of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “Business Day” set out in Condition 7(h).

### ***Prescription***

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

### ***Meetings***

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.

### ***Cancellation***

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

### ***Purchase***

Notes represented by a permanent Global Note may only be purchased by the Issuer (and/or, in the case of an issue of Notes by L&GF, the Guarantor) or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

### ***Redemption at the Issuer’s Option***

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

### ***Redemption at the Noteholders’ Option***

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is an NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

### ***NGN Nominal Amount***

Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

### ***Trustee's Powers***

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may call for and have regard to any certificate or other document issued by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or the relevant Global Certificate. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom systems) in accordance with its usual procedures and in which the holder of a particular principal amount of Notes is clearly identified together with the amount of such holding. In the case of Registered Notes only, the Trustee may have regard to any other letter of confirmation, form of record, information and/or certification as the Trustee shall, in its absolute discretion, think fit as evidence that at any particular time or throughout any particular period any particular person should be regarded as having an interest in a particular nominal amount of Registered Notes, and if the Trustee does so rely on such evidence, such letter of confirmation, form of record, information and/or certification shall, in the absence of manifest error or error proven to the satisfaction of the Trustee, be conclusive and binding on all concerned. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by a clearing system and subsequently found to be forged or not authentic or not correct.

### ***Notices***

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Series or Tranche of Notes will be used to refinance Group borrowings and to fund the business of the Group.

## LEGAL & GENERAL GROUP PLC

### Introduction

Legal & General is the holding company of a group of companies engaged in six broad categories of business: Legal & General Retirement, Legal & General Investment Management, Legal & General Capital, Legal & General Insurance, General Insurance and Savings. Legal & General's principal subsidiary, Legal & General Assurance Society Limited, was incorporated in 1836, and Legal & General itself, the Group holding company, was incorporated in England and Wales as a public limited company in 1979. The Group is a leading insurance and financial services group based in the United Kingdom with worldwide insurance gross written premiums (GWP) of £3,275 million for the year ended 31 December 2017. As at 31 December 2017, LGIM's assets under management (AUM) amounted to £983 billion. The Group has a number of wholly-owned operating subsidiaries, including in the United Kingdom and the United States of America.

### The Business of the Group

The Group has three broad business areas which reflect its continuing operations. As announced in December 2017, its Mature Savings business is being sold to Swiss Re and the sale is planned to complete in 2019. Mature Savings sold traditional life and pensions savings products and had £30.4 billion of assets under management.

### Investing and Annuities

This includes Legal & General Retirement (LGR) and Legal & General Capital (LGC).

'LGR Institutional' provides pensions derisking solutions for defined benefit pension schemes. 'LGR Retail' helps customers manage their finances in retirement and has a growing lifetime mortgages business. As at 31 December 2017, LGR had £58.2 billion of assets.

LGC aims to increase the risk adjusted returns on the group's shareholder assets and focuses on housing, infrastructure and SME financing. As at 31 December 2017, LGC had £1.5 billion of assets managed in direct investments. Over the whole group, £14.4 billion had been invested as at 31 December 2017.

### Investment Management

Legal & General Investment Management (LGIM) provides investment management for pension schemes and institutional clients and manages auto-enrolled pension schemes and retail investments. It has a successful real assets investment business. LGIM had assets under management of £983 billion as at 31 December 2017.

### Insurance

This includes Legal & General Insurance (LGI) and General Insurance.

LGI, with gross written premiums of £2.5 billion for the (financial year ended 31 December 2017), provides life insurance products for UK and US customers. Its UK group protection business provides insurance cover for employees.

General Insurance provides household insurance and other personal insurances such as travel, pet and lifestyle cover and had gross written premiums of £369 million for the financial year ended 31 December 2017.

### Contact Details

Legal & General's registered office is located at One Coleman Street, London EC2R 5AA. The switchboard number of its registered office is +44 (0)20 3124 2000.

## Management

As at the date of this Prospectus, the Directors of Legal & General, their functions and their principal outside activities (if any) are as follows:

Chairman	Sir John Kingman	<i>Principal outside activities</i> Royal Opera House Covent Garden Foundation (Trustee) National Gallery (Trustee) Rothschild (Senior Advisor)
<i>Executive Directors</i>		
Group Chief Executive	Nigel Wilson	–
Chief Financial Officer	Jeff Davies	–
Chief Executive Officer, LGR	Kerrigan Procter	–
Chief Executive Officer, LGIM	Mark Zinkula	The Investment Management Association (Board Member) The Financial Reporting Council Limited (Director)
<i>Non-Executive Directors</i>		
Independent Non-Executive Director	Carolyn Bradley	Marston's PLC (Non-Executive Director) The Mentoring Foundation (Non-Executive Director) Cancer Research UK (Trustee) Majid Al Futtaim Retail LLC (Non-Executive Director) Cambridge Judge Business School Advisory Board (Member) The Invicta Film Partnership No. 6 LLP
Independent Non-Executive Director	Philip Broadley	AstraZeneca PLC (Non-Executive Director) Eastbourne College (Chairman) London Library (Treasurer)
Independent Non-Executive Director	Lesley Knox	Centrica plc (Non-Executive Director and Chair of the Remuneration Committee) Thomas Cook Group plc (Non-Executive Director) Grosvenor Group (Chair) Design Dundee Limited (Director) NGS Trading Company Limited (Director)
Independent Non-Executive	Toby Strauss	Macmillan Cancer Support (Trustee) Toric Limited (Director) Pacific Life Re Limited (Director)
Senior Independent Non-Executive Director	Julia Wilson	3i Group plc (Group Finance Director)

The business address of each of the above Directors is One Coleman Street, London EC2R 5AA.

None of the Directors of Legal & General have any potential conflict between their duties to Legal & General and their private interests or other duties.

## LEGAL & GENERAL FINANCE PLC

### General

L&GF was incorporated in England and Wales as a public limited company in 1989, and is the UK financial trading subsidiary of, and is directly wholly-owned by, Legal & General. L&GF does not have any subsidiaries. The activities of L&GF encompass most aspects of the treasury operations of the Group, including the raising of funding by means of bank borrowings and commercial paper and medium term note issues.

### Contact Details

L&GF's registered office is located at One Coleman Street, London EC2R 5AA. The switchboard number of its registered office is +44 (0)20 3124 2000.

### Management

As at the date of this Prospectus, the Directors of L&GF, their functions and their principal outside activities (if any) are as follows:

<i>Directors</i>		<i>Principal outside activities</i>
Director of Investment Strategy, Group Finance	Martin Brookes	–
Group Chief Financial Officer	Jeff Davies	–
Director of Group Finance	Garvan O'Neill	–
Group Treasurer	Frank Turley	–

The business address of each of the above Directors is One Coleman Street, London EC2R 5AA.

None of the Directors of L&GF have any potential conflict between their duties to L&GF and their private interests or other duties.



## TAXATION

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuers and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Terms and Conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

### United Kingdom Taxation

The comments below are based on the Issuers' understanding of current United Kingdom tax law and HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs) relating to certain aspects of United Kingdom taxation of payments in respect of the Notes and are subject to changes therein or thereof, possibly with retrospective effect; they do not deal with other United Kingdom tax consequences which might arise from holding Notes or Coupons. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers, persons connected with an Issuer for any tax purposes, persons who have, or are deemed for tax purposes to have, acquired their Notes by reason of employment or certain professional investors, to whom special rules may apply. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the United Kingdom tax treatment of that and any other series of Notes. These comments do not purport to constitute legal or tax advice. Any Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or are in any doubt as to their own tax position should consult their professional advisers.

- (a) To the extent that it does not comprise a premium or discount, a payment by the Issuer of principal in respect of any Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.
- (b) Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount element on any such Notes will not be made subject to any withholding or deduction for or on account of United Kingdom income tax as long as they do not constitute payments of interest.
- (c) Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest and, if so, paragraphs (d) to (k) below (as appropriate) will apply.
- (d) Interest payable on Notes which have a maturity of less than one year and are not issued under arrangements the intention or effect of which is to render such Notes part of a borrowing with a total term of one year or more can be paid without withholding or deduction for or on account of United Kingdom income tax.
- (e) Interest on Tier 2 Notes may be paid without withholding or deduction for or on account of United Kingdom income tax provided that those Tier 2 Notes are "regulatory capital securities" within the meaning of the Taxation of Regulatory Capital Securities Regulations 2013 (as amended) and that there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (within the meaning set out in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of those Regulations in respect of those Tier 2 Notes.
- (f) Interest on any Notes may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax (if such withholding or deduction would otherwise be required) provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes and Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with the provisions of, Part VI of the FSMA) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable by the Issuer without withholding or deduction for or on account of United Kingdom income tax.

- (g) In all other cases, interest will generally be paid by the Issuer after deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to the availability of any other reliefs under domestic law.
- (h) If interest were paid subject to deduction of United Kingdom income tax (e.g. if the Notes lost their listing), Noteholders who are not resident for tax purposes in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.
- (i) Interest on the Notes has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if the interest is paid without withholding or deduction. However, interest will not generally be assessed to United Kingdom tax by direct assessment in the hands of a holder of Notes who is not resident in the United Kingdom, except where such person, in the case of an individual, carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency or, in the case of a body corporate, carries on a trade in the United Kingdom through a permanent establishment, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent, such as brokers and investment managers) tax may be levied on the United Kingdom branch, agency or permanent establishment.
- (j) Noteholders should note that the provisions relating to additional amounts referred to in “Terms and Conditions of the Senior Notes – Taxation”, “Terms and Conditions of the Tier 2 Notes – Taxation”, or “Terms and Conditions of the Tier 3 Notes – Taxation”, as applicable, would not apply if HM Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.
- (k) The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described in paragraph (e) above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

## **FATCA**

In certain circumstances, “foreign financial institutions” can be required to make withholdings under the U.S. Foreign Account Tax Compliance Act (“**FATCA**”). It is conceivable that the Issuers could at some point in the future be required to make such withholdings from payments made in respect of the Notes. If an amount were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, neither the relevant Issuer nor any Paying Agent would be required to pay additional amounts on account of such deduction or withholding. As a result, if payments in respect of the Notes are subject to FATCA withholding, investors may receive less interest, principal or other payments (as the case may be) than expected.

## **SUBSCRIPTION AND SALE**

### **Summary of Distribution Agreement**

Subject to the terms and on the conditions contained in the Distribution Agreement, the Notes will be offered on a continuous basis by either L&G or L&GF to the Permanent Dealers. However, each of L&G and L&GF has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by each of the Issuers through the Dealers, acting as agents of the relevant Issuer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers and the Guarantor have agreed to reimburse the Arranger and the Dealers for certain of their activities in connection with the Programme.

The Issuers and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Distribution Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### **Selling Restrictions**

#### **United States**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of its distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer, by the Issuing and Paying Agent, or, in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States. The Issuers and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is not authorised and any

disclosure without the prior written consent of the Issuers of any of the contents of this Prospectus to any such person is prohibited.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or

re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

## **General**

These selling restrictions may be modified by the agreement of the Issuers and the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute this Prospectus or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and neither the Issuers nor, in the case of Notes issued by L&GF, the Guarantor, nor any other Dealer shall have responsibility for the action of such Dealer.

No Dealer has been authorised to make any representation or use any information in connection with the issue, subscription and sale of any of the Notes other than as contained or incorporated by reference in this Prospectus or any amendment or supplement to it.

## **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## FORM OF SENIOR NOTE FINAL TERMS

**[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

### Final Terms dated [ ]

**[Legal & General Group Plc / Legal & General Finance PLC]**  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Legal & General Group Plc]  
under the £5,000,000,000  
Euro Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 23 March 2018 [and the supplemental Prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive, as amended, and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [ ] during normal business hours and copies may be obtained from [●].]

- |   |                                    |   |
|---|------------------------------------|---|
| 1 | (i) Issuer:                        | [Legal & General Group Plc / Legal & General Finance PLC] |
|   | [(ii) Guarantor:                   | Legal & General Group Plc]                                |
| 2 | [(i) Series Number:                | [●]]  |
|   | [(ii) Tranche Number:              | [●]]  |
| 3 | Specified Currency or Currencies:  | [●]   |
| 4 | Aggregate Nominal Amount of Notes: | [●]   |
|   | [(i) Series:                       | [●]]  |

	[(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] and integral multiples of [●] in excess thereof [up to and including [●].] No notes in definitive form will be issued with a denomination above [●].]
	(ii) Calculation Amount:	[●]
7	[(i) Issue Date:	[●]
	[(ii) Interest Commencement Date:	[●]
8	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]/Not Applicable]
9	Interest Basis:	[[●] per cent. Fixed Rate] [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon]
10	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
11	Change of Interest or Redemption/Payment Basis:	[●] [Not Applicable]
12	Put/Call Options:	[Put Option] [Call Option]
13	(i) Status of the Notes:	Senior
	[(ii) [Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[●] [and [●] respectively]/Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	<b>Fixed Rate Note Provisions</b>	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/●] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year not adjusted
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount/[Not Applicable]
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
	(v) Day Count Fraction (Condition 5(i)):	[Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/ [Actual/365(Sterling)]/[Actual/360]/[30/360]/[360/360]/ [Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/ [Actual/Actual - ICMA]
	(vi) Determination Dates (Condition 5(i)):	[●] in each year

15	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable/[●] in each year [, subject to adjustment in accordance with the Business Day Conversion set out below]/[, not subject to adjustment].
	(iv) Business Day Convention:	[Not Applicable]/[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(v) Additional Business Centre(s) (Condition 5(i)):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii) Screen Rate Determination (Condition 5(b)(iii)(B)):	
	– Reference Rate:	[●] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
	(ix) ISDA Determination (Condition 5(b)(iii)(A)):	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions	[2000/2006]
	(x) Linear Interpolation (Condition 5(b)(iii)(C)):	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation]
	(xi) Margin(s):	[+/-] [●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum



- (xiii) Maximum Rate of Interest:  per cent. per annum
- (xiv) Day Count Fraction  [Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
- 16 **Zero Coupon Note Provisions**  [Applicable/Not Applicable]
- (i) Amortisation Yield (Condition 6(b)):  per cent. per annum
- (ii) Day Count Fraction:

#### PROVISIONS RELATING TO REDEMPTION

- 17 **Call Option**  [Applicable/Not Applicable]
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):  per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount:  per Calculation Amount
- (b) Maximum Redemption Amount:  per Calculation Amount
- (iv) Notice period: Minimum period:   
Maximum period:
- 18 **Put Option**  [Applicable/Not Applicable]
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):  per Calculation Amount
- (iii) Notice period: Minimum period:   
Maximum period:
- 19 Final Redemption Amount:  per Calculation Amount
- 20 Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or on Event of Default (Condition 10) or other early redemption:

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 21 Form of Notes: [Registered Notes]  
 [Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg] [a Common Safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]  
 [Bearer Notes]  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on [●] days’ notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- 22 New Global Note: [Yes] [No]
- 23 Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/[●]]
- 24 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 interest payments, Talons may be required if, on exchange into definitive form, more than 27 interest payments are still to be made]

**DISTRIBUTION**

- 25 U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 26 Stabilising Manager(s): [Not Applicable/[●]]
- 27 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*

Signed on behalf of the Issuer:

By: .....  
 Duly authorised

[Signed on behalf of the Guarantor:

By: .....  
 Duly authorised]

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's Regulated Market with effect from [●].
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

Ratings: The Notes to be issued [have been rated/are expected to be rated]:  
[S&P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]  
[A.M. Best: [●]]

### 3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4 [Fixed Rate Notes only – YIELD

Indication of yield: [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 5 OPERATIONAL INFORMATION

ISIN: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s): [Not Applicable/[●]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom]/[Banque Internationale à Luxembourg, *société anonyme*, 69 route d'Esch, L-2953 Luxembourg]

Names and addresses of additional Paying Agent(s) (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

## FORM OF TIER 3 NOTE FINAL TERMS

**[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

### Final Terms dated [●]

#### Legal & General Group Plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 23 March 2018 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive, as amended, and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [●] during normal business hours and copies may be obtained from [●].]

- |   |                                    |   |
|---|------------------------------------|---|
| 1 | Issuer:                            | Legal & General Group Plc   |
| 2 | [(i) Series Number:                | [●]]  |
|   | [(ii) Tranche Number:              | [●]]  |
| 3 | Specified Currency or Currencies:  | [●]   |
| 4 | Aggregate Nominal Amount of Notes: | [●]   |
|   | [(i) Series:                       | [●]]  |
|   | [(ii) Tranche:                     | [●]   |
| 5 | Issue Price:                       | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]] |

- 6 (i) Specified Denominations: [[●] and integral multiples of [●] in excess thereof [up to and including [●].] No notes in definitive form will be issued with a denomination above [●].]
- (ii) Calculation Amount: [●]
- 7 [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date: [●]
- 8 Maturity Date: [[●]/The Interest Payment Date falling in or nearest to [●]/Not Applicable]
- 9 Interest Basis: [[●] per cent. Fixed Rate]  
[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Fixed Rate Reset]  
[Fixed to Floating Rate]
- 10 Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
- 11 Change of Interest or Redemption/Payment Basis: [[●]/Not Applicable]
- 12 Call Option: [Applicable/Not Applicable]
- 13 (i) Status of the Notes: [Dated Tier 3] [Undated Tier 3]
- [(ii)] [Date [Board] approval for issuance of Notes obtained: [[●]/Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable/Applicable for the period from and including the Interest Commencement Date to but excluding [●] (the “Fixed Rate End Date”)]
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount/[Not Applicable]
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (v) Day Count Fraction (Condition 4(i)): [Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
- (vi) Determination Dates (Condition 4(i)): [●] in each year/[Not Applicable]
- 15 **Fixed Rate Reset Note Provisions** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear]

(ii)	Interest Payment Date(s):	<input checked="" type="checkbox"/> in each year
(iii)	Broken Amount(s):	<input checked="" type="checkbox"/> per Calculation Amount payable on the Interest Payment Date falling [in/on] <input checked="" type="checkbox"/> /[Not Applicable]
(iv)	Day Count Fraction (Condition 4(i)):	<input type="checkbox"/> [Actual/Actual]/ <input type="checkbox"/> [Actual/Actual-ISDA]/ <input type="checkbox"/> [Actual/365 (Fixed)]/ <input type="checkbox"/> [Actual/365 (Sterling)]/ <input type="checkbox"/> [Actual/360]/ <input type="checkbox"/> [30/360]/ <input type="checkbox"/> [360/360]/ <input type="checkbox"/> [Bond Basis]/ <input type="checkbox"/> [30E/360]/ <input type="checkbox"/> [Eurobond Basis]/ <input type="checkbox"/> [30E/360 (ISDA)]/ <input type="checkbox"/> [Actual/Actual – ICMA]
(v)	Determination Date(s) (Condition 4(i)):	<input checked="" type="checkbox"/> /[Not Applicable]
(vi)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	<input checked="" type="checkbox"/> /[Not Applicable]
(vii)	Reset Date(s):	<input checked="" type="checkbox"/>
(viii)	Subsequent Reset Reference Rate(s):	<input type="checkbox"/> [Mid swaps/Reference Bond]
(ix)	Initial Credit Spread:	<input checked="" type="checkbox"/> per cent. per annum
(x)	Step-Up Margin:	<input type="checkbox"/> per cent. per annum/Not Applicable]
(xi)	Subsequent Reset Rate Screen Page:	<input type="checkbox"/> /[Not Applicable]
(xii)	Mid Swap Maturity:	<input type="checkbox"/> /[Not Applicable]
(xiii)	Reset Determination Date:	The <input checked="" type="checkbox"/> th Business Day prior to the commencement of the applicable Reset Period
(xiv)	Subsequent Reset Rate Time:	<input checked="" type="checkbox"/>
<b>16</b>	<b>Floating Rate Note Provisions</b>	<input type="checkbox"/> Applicable/Not Applicable/ <input type="checkbox"/> Applicable from and including the Fixed Rate End Date]
(i)	Interest Period(s):	<input checked="" type="checkbox"/>
(ii)	Specified Interest Payment Dates:	<input checked="" type="checkbox"/>
(iii)	Interest Period Date:	<input type="checkbox"/> [Not Applicable]/ <input checked="" type="checkbox"/> in each year [, subject to adjustment in accordance with the Business Day Conversion set out below]/[, not subject to adjustment].
(iv)	Business Day Convention:	<input type="checkbox"/> [Not Applicable]/ <input type="checkbox"/> [Floating Rate Business Day Convention/ <input type="checkbox"/> Following Business Day Convention/ <input type="checkbox"/> Modified Following Business Day Convention/ <input type="checkbox"/> Preceding Business Day Convention]
(v)	Additional Business Centre(s) (Condition 4(i)):	<input checked="" type="checkbox"/>
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	<input type="checkbox"/> [Screen Rate Determination/ <input type="checkbox"/> ISDA Determination]

(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
(viii)	Screen Rate Determination (Condition 4(b)(iii)(B)):	
	– Reference Rate:	[●] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(ix)	ISDA Determination (Condition 4(b)(iii)(A)):	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions:	[2000/2006]
(x)	Linear Interpolation (Condition 4(b)(iii)(C)):	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation]
(xi)	Margin(s):	[+/-] [●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction (Condition 4(i)):	[Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
<b>17</b>	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
(ii)	Day Count Fraction:	[●]
<b>18</b>	<b>Optional Interest Payment Date</b>	[Applicable/Not Applicable]
<b>19</b>	<b>Compulsory Interest Payment Date</b>	[Applicable/Not Applicable]

#### PROVISIONS RELATING TO REDEMPTION

<b>20</b>	<b>Call Option</b>	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[●] per Calculation Amount
(b)	Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	Minimum period: [●] Maximum period: [●]
<b>21</b>	<b>Capital Disqualification Call</b>	[Applicable/Not Applicable]
	Special Redemption Price:	[●] per Calculation Amount
<b>22</b>	<b>Rating Methodology Call</b>	[Applicable/Not Applicable]
	Special Redemption Price:	[●] per Calculation Amount
<b>23</b>	<b>Final Redemption Amount</b>	[●] per Calculation Amount
<b>24</b>	<b>Early Redemption Amount</b>	
	Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 6(c)) or on Event of Default (Condition 10) or other early redemption:	[●] per Calculation Amount
<b>GENERAL PROVISIONS APPLICABLE TO THE NOTES</b>		
<b>25</b>	Form of Notes:	[Registered Notes]  [Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg] [a Common Safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]  [Bearer Notes]  [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
<b>26</b>	New Global Note:	[Yes] [No]
<b>27</b>	Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/[●]]



**28** Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 interest payments, Talons may be required if, on exchange into definitive form, more than 27 interest payments are still to be made]

**DISTRIBUTION**

**29** U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]

**30** Stabilising Manager(s): [Not Applicable/[●]]

**31** Prohibition of Sales to EEA Retail Investors [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc with effect from [●].
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Notes to be issued [have been rated/are expected to be rated]:  
[S&P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]  
[A.M. Best: [●]]

### 3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4 [Fixed Rate Notes only – YIELD

- Indication of yield: [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5 OPERATIONAL INFORMATION

- ISIN: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s): [Not Applicable/[●]]
- Delivery: Delivery [against/free of] payment
- Names and addresses of initial Paying Agent(s): [Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom]/[Banque Internationale à Luxembourg, *société anonyme*, 69 route d'Esch, L-2953 Luxembourg]
- Names and addresses of additional Paying Agent(s) (if any): [●]
- Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

## FORM OF TIER 2 NOTE FINAL TERMS

**[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

### Final Terms dated [●]

#### Legal & General Group Plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000  
Euro Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 23 March 2018 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive, as amended, and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [●] during normal business hours and copies may be obtained from [●].]

- |   |                                    |  |
|---|------------------------------------|--|
| 1 | Issuer:                            | Legal & General Group Plc  |
| 2 | [(i) Series Number:                | [●]]   |
|   | [(ii) Tranche Number:              | [●]]   |
| 3 | Specified Currency or Currencies:  | [●]  |
| 4 | Aggregate Nominal Amount of Notes: | [●]  |
|   | [(i) Series:                       | [●]]   |
|   | [(ii) Tranche:                     | [●]]   |
| 5 | Issue Price:                       | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |

- 6 (i) Specified Denominations: [[●] and integral multiples of [●] in excess thereof [up to and including [●].] No notes in definitive form will be issued with a denomination above [●].]
- (ii) Calculation Amount: [●]
- 7 [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date: [●]
- 8 Maturity Date: [[●]/The Interest Payment Date falling in or nearest to [●]/Not Applicable]
- 9 Interest Basis: [[●] per cent. Fixed Rate]  
[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Fixed Rate Reset]  
[Fixed to Floating Rate]
- 10 Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
- 11 Change of Interest or Redemption/Payment Basis: [[●]/Not Applicable]
- 12 Call Option: [Applicable/Not Applicable]
- 13 (i) Status of the Notes: [Dated Tier 2] [Undated Tier 2]
- [(ii)] [Date [Board] approval for issuance of Notes obtained: [[●]/Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable/Applicable for the period from and including the Interest Commencement Date to but excluding [●] (the “Fixed Rate End Date”)]
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount/[Not Applicable]
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (v) Day Count Fraction (Condition 4(i)): [Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
- (vi) Determination Dates (Condition 4(i)): [●] in each year/[Not Applicable]
- 15 **Fixed Rate Reset Note Provisions** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear]

(ii)	Interest Payment Date(s):	[●] in each year
(iii)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
(iv)	Day Count Fraction (Condition 4(i)):	[Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
(v)	Determination Date(s) (Condition 4(i)):	[●]/[Not Applicable]
(vi)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]/[Not Applicable]
(vii)	Reset Date(s):	[●]
(viii)	Subsequent Reset Reference Rate(s):	[Mid swaps/Reference Bond]
(ix)	Initial Credit Spread:	[●] per cent. per annum
(x)	Step-Up Margin:	[[●] per cent. per annum/Not Applicable]
(xi)	Subsequent Reset Rate Screen Page:	[[●]/Not Applicable]
(xii)	Mid Swap Maturity:	[[●]/Not Applicable]
(xiii)	Reset Determination Date:	The [●]th Business Day prior to the commencement of the applicable Reset Period
(xiv)	Subsequent Reset Rate Time:	[●]
<b>16</b>	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable/Applicable from and including the Fixed Rate End Date]
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[●]
(iii)	Interest Period Date:	[Not Applicable/[●] in each year [, subject to adjustment in accordance with the Business Day Conversion set out below]/[, not subject to adjustment].
(iv)	Business Day Convention:	[Not Applicable]/[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(v)	Additional Business Centre(s) (Condition 4(i)):	[●]

- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Rate Determination (Condition 4(b)(iii)(B)):
- Reference Rate: [●] month [LIBOR/EURIBOR]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [●]
- (ix) ISDA Determination (Condition 4(b)(iii)(A)):
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
  - ISDA Definitions: [2000/2006]
- (x) Linear Interpolation (Condition 4(b)(iii)(C)): [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [ +/- ] [●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction (Condition 4(i)): [Actual/Actual]/[Actual/Actual-ISDA]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Actual/Actual – ICMA]
- 17 Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Amortisation Yield (Condition 6(b)): [●] per cent. per annum
  - (ii) Day Count Fraction: [●]
- 18 Compulsory Interest Payment Date** [Applicable/Not Applicable]

#### PROVISIONS RELATING TO REDEMPTION

**19 Call Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):  per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount:  per Calculation Amount
- (b) Maximum Redemption Amount:  per Calculation Amount
- (iv) Notice period: Minimum period:   
Maximum period:
- 20 Capital Disqualification Call**  [Applicable/Not Applicable]  
Special Redemption Price:  per Calculation Amount
- 21 Rating Methodology Call**  [Applicable/Not Applicable]  
Special Redemption Price:  per Calculation Amount
- 22 Final Redemption Amount**  per Calculation Amount
- 23 Early Redemption Amount**  
Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 6(c)) or on Event of Default (Condition 10) or other early redemption:  per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24** Form of Notes:  [Registered Notes]  
 [Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg][a Common Safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]  
 [Bearer Notes]  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on  days' notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- 25** New Global Note:  [Yes]  [No]

- 26 Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/[●]]
- 27 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 interest payments, Talons may be required if, on exchange into definitive form, more than 27 interest payments are still to be made]

**DISTRIBUTION**

- 28 U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 29 Stabilising Manager(s): [Not Applicable/[●]]
- 30 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*

Signed on behalf of the Issuer:

By: .....  
Duly authorised



## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc with effect from [●].
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

Ratings: The Notes to be issued [have been rated/are expected to be rated]:  
[S&P: [●]]  
[Moody's: [●]]  
[Fitch: [●]]  
[A.M. Best: [●]]

### 3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4 [Fixed Rate Notes only – YIELD

Indication of yield: [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5 OPERATIONAL INFORMATION

ISIN: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s): [Not Applicable/[●]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom]/ [Banque Internationale à Luxembourg, *société anonyme*, 69 route d’Esch, L-2953 Luxembourg]

Names and addresses of additional Paying Agent(s) (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

## GENERAL INFORMATION

- (1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of such Tranche. The listing of the Programme on the Official List for a period of 12 months from the date of this Prospectus is expected to be granted on or around the date of this Prospectus. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
- (2) Each of L&G and L&GF has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme. The update of the Programme was authorised by resolutions of the board of directors of L&G passed on 11 January 2017 and 1 March 2018 and of a committee of the board of directors of L&G passed on 15 March 2018 and by resolutions of the board of directors of L&GF passed on 15 March 2018.
- (3) There has been no significant change in the financial or trading position of L&G, L&GF or the Group since 31 December 2017. There has been no material adverse change in the prospects of L&G, L&GF or the Group since 31 December 2017.
- (4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which L&G or L&GF is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of L&G, L&GF or the Group.
- (5) L&G was incorporated in England and Wales on 27 February 1979 under the Companies Acts 1948 to 1976 as a limited company and was re-registered as a public limited company under the Companies Acts 1948 to 1980 with the number 01417162 on 19 March 1982. The registered office of L&G is at One Coleman Street, London EC2R 5AA which is also its principal place of business. L&GF was incorporated in England and Wales on 24 January 1989 under the Companies Act 1985 as a public limited company with the number 02338444 and its registered office is at One Coleman Street, London EC2R 5AA which is also its principal place of business.
- (6) Each Bearer Note, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes. Any indication of yield included in the relevant Final Terms relating to a Tranche is calculated at the Issue Date of that Tranche on the basis of the Issue Price. It is not an indication of future yield.
- (9) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Issuers at One Coleman Street, London EC2R 5AA:
  - (i) the Trust Deed (which includes the form of the Global Notes, the definitive Notes, the Certificates, the Coupons and the Talons);

- (ii) the Agency Agreement;
- (iii) the Memorandum and Articles of Association of L&G and of L&GF;
- (iv) the published annual report and audited accounts of L&G and of L&GF (consolidated in the case of L&G and unconsolidated in the case of L&GF) for the two financial years most recently ended;
- (v) each set of Final Terms for Notes that are listed on the Official List and admitted to trading on the Market or any other stock exchange; and
- (vi) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus.

In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).

- (10) The accounts of L&G and L&GF for the two years ended 31 December 2017 have been audited by PricewaterhouseCoopers LLP, Chartered Accountants (members of the Institute of Chartered Accountants in England and Wales) and Registered Auditors (authorised and regulated by the Financial Conduct Authority for designated investment business), in each case in accordance with Auditing Standards issued by the Auditing Practices Board, and have been reported upon without qualification.
- (11) The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined therein) in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors.

**REGISTERED OFFICE OF THE ISSUERS AND THE GUARANTOR**

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**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
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United Kingdom

**Deutsche Bank AG, London Branch**  
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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
London E14 5JP  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Morgan Stanley & Co. International plc**  
25 Cabot Square,  
Canary Wharf  
London E14 4QA  
United Kingdom

**The Royal Bank of Scotland plc  
(trading as NatWest Markets)**  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**TRUSTEE**

**ISSUING AND PAYING AGENT,  
REGISTRAR AND CALCULATION AGENT**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX  
United Kingdom

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PAYING AGENT AND TRANSFER AGENT**

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L-2953 Luxembourg

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