



AVIVA plc

(Incorporated in England with limited liability, registered number 2468686)

**£800,000,000 6.125 per cent. Fixed Rate Perpetual Reset Subordinated Notes**

Issue Price: 99.072 per cent.

**€500,000,000 5.70 per cent. Fixed/Floating Rate Perpetual Subordinated Notes**

Issue Price: 99.296 per cent.

**€650,000,000 5.25 per cent. Fixed/Floating Rate Subordinated Notes due 2023**

Issue Price: 99.239 per cent.

Interest on the £800,000,000 6.125 per cent. Fixed Rate Perpetual Reset Subordinated Notes (the "Sterling Undated Notes"), the €500,000,000 5.70 per cent. Fixed/Floating Rate Perpetual Subordinated Notes (the "Euro Undated Notes") and the €650,000,000 5.25 per cent. Fixed/Floating Rate Subordinated Notes due 2023 (the "Dated Notes") of Aviva plc (the "Issuer") is payable from and including 29 September 2003 to but excluding 29 September 2022 at the rate of 6.125 per cent. per annum in respect of the Sterling Undated Notes, to but excluding 29 September 2015 at the rate of 5.70 per cent. per annum in respect of the Euro Undated Notes, and to but excluding 2 October 2013 at the rate of 5.25 per cent. per annum in respect of the Dated Notes, annually in arrear. Thereafter, the rate of interest for each Tranche of Notes will be recalculated as described herein. From and including 29 September 2015, in the case of the Euro Undated Notes, and 2 October 2013, in the case of the Dated Notes, interest will be payable quarterly in arrear on each Interest Payment Date (as defined herein under "Terms and Conditions of the Euro Undated Notes" and "Terms and Conditions of the Dated Notes", respectively) and the interest on the Sterling Undated Notes will continue to be payable annually in arrear. Payments of principal and interest on the Notes may, in certain circumstances, be deferred. See "Terms and Conditions of the Sterling Undated Notes - 5 Deferral of Payments", "Terms and Conditions of the Euro Undated Notes - 5 Deferral of Payments" and "Terms and Conditions of the Dated Notes - 5 Deferral of Payments". The Dated Notes mature on the Interest Payment Date falling on, or nearest to, 2 October 2023. Payments in respect of the Notes will be made without deduction for or on account of taxes of the United Kingdom, unless such deduction is required by law. In the event that any such deduction is made, the Notes will be subject to grossing up by the Issuer, subject to certain exceptions as are more fully described under "Terms and Conditions of the Sterling Undated Notes - 9 Taxation", "Terms and Conditions of the Euro Undated Notes - 9 Taxation" and "Terms and Conditions of the Dated Notes - 9 Taxation".

Subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority ("FSA"), (i) the Dated Notes are redeemable in whole (but not in part), at the option of the Issuer, at the aggregate principal amount thereof (together with accrued interest and any Arrears of Interest (as defined herein)) on 2 October 2013 and on any Interest Payment Date (as defined under "Terms and Conditions of the Dated Notes") thereafter, (ii) the Sterling Undated Notes are redeemable in whole (but not in part), at the option of the Issuer, at the aggregate principal amount thereof (together with accrued interest and any Arrears of Interest) on any Reset Date (as defined under "Terms and Conditions of the Sterling Undated Notes") and (iii) the Euro Undated Notes are redeemable in whole (but not in part), at the option of the Issuer, at the aggregate principal amount thereof (together with accrued interest and any Arrears of Interest) on 29 September 2015 and on any Interest Payment Date (as defined under "Terms and Conditions of the Euro Undated Notes") thereafter. In addition, subject to the Issuer having given prior written notice to, and received no objection from, the FSA, each Tranche of the Notes is redeemable in whole (but not in part), at the option of the Issuer, in the case of the Sterling Undated Notes, at any time, in the case of the Euro Undated Notes, at any time prior to 29 September 2015 and thereafter only on an Interest Payment Date, and, in the case of the Dated Notes, at any time prior to 2 October 2013 and thereafter only on an Interest Payment Date, if a Tax Event (as defined in "Terms and Conditions of the Sterling Undated Notes - 6 Redemption and Purchase", "Terms and Conditions of the Euro Undated Notes - 6 Redemption and Purchase" and "Terms and Conditions of the Dated Notes - 6 Redemption and Purchase") occurs at their principal amount together with any accrued interest and any Arrears of Interest. See "Terms and Conditions of the Sterling Undated Notes - 6 Redemption and Purchase", "Terms and Conditions of the Euro Undated Notes - 6 Redemption and Purchase" and "Terms and Conditions of the Dated Notes - 6 Redemption and Purchase", respectively. Each Tranche is also redeemable in whole (but not in part), at the option of the Issuer, in the case of the Sterling Undated Notes, at any time, in the case of the Euro Undated Notes, at any time prior to 29 September 2015 and thereafter only on an Interest Payment Date, and, in the case of the Dated Notes, at any time prior to 2 October 2013 and thereafter only on an Interest Payment Date, if the Issuer satisfies the Trustee that a Capital Disqualification Event (as defined in "Terms and Conditions of the Sterling Undated Notes - 6 Redemption and Purchase", "Terms and Conditions of the Euro Undated Notes - 6 Redemption and Purchase" and "Terms and Conditions of the Dated Notes - 6 Redemption and Purchase", respectively) occurs, at their Special Redemption Price (as defined in "Terms and Conditions of the Sterling Undated Notes - 3 Definitions", "Terms and Conditions of the Euro Undated Notes - 3 Definitions" and "Terms and Conditions of the Dated Notes - 3 Definitions", respectively) if the date of redemption falls on or before 2 October 2013 in respect of the Dated Notes, on or before 29 September 2022 in respect of the Sterling Undated Notes, or on or before 29 September 2015 in respect of the Euro Undated Notes and at their principal amount if the date of redemption falls thereafter together, in each case, with any accrued interest and any Arrears of Interest. See "Terms and Conditions of the Sterling Undated Notes - 6 Redemption and Purchase", "Terms and Conditions of the Euro Undated Notes - 6 Redemption and Purchase" and "Terms and Conditions of the Dated Notes - 6 Redemption and Purchase", respectively.

The Notes constitute subordinated obligations of the Issuer, as described under "Terms and Conditions of the Sterling Undated Notes - 2 Status and Subordination", "Terms and Conditions of the Euro Undated Notes - 2 Status and Subordination" and "Terms and Conditions of the Dated Notes - 2 Status and Subordination".

Applications have been made to the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended, (the "UK Listing Authority") for the Notes to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on a recognised investment exchange. Copies of this Offering Circular, which comprises listing particulars which have been approved by the UK Listing Authority, have been delivered to the Registrar of Companies in England and Wales as required by Section 83 of the Financial Services and Markets Act 2000, as amended.

Each Tranche of Notes will initially be represented by a temporary global note (each a "Temporary Global Note"), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank, S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 29 September 2003 (the "Closing Date"). Each Temporary Global Note will be exchangeable for interests in a permanent global note (each a "Permanent Global Note"), without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for definitive notes only in certain limited circumstances, as described under "Terms and Conditions of the Sterling Undated Notes - 1 Form, Denomination and Transfer", "Terms and Conditions of the Euro Undated Notes - 1 Form, Denomination and Transfer" and "Terms and Conditions of the Dated Notes - 1 Form, Denomination and Transfer", respectively.

*Joint Bookrunners*

BARCLAYS CAPITAL

LEHMAN BROTHERS

(Structuring Adviser)

GOLDMAN SACHS INTERNATIONAL

SG CORPORATE & INVESTMENT BANKING

*Co Managers*

ABN AMRO

HSBC

THE ROYAL BANK OF SCOTLAND

This document comprises listing particulars given in compliance with the listing rules made by the UK Listing Authority under Section 74 of the Financial Services and Markets Act 2000, as amended, for the purposes of giving information with regard to the Issuer, the Group and the Notes. The Issuer accepts responsibility for all the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this Offering Circular, references to "Aviva" and the "Issuer" are to Aviva plc, and references to the "Aviva Group" or the "Group" are to Aviva plc and its subsidiaries. Unless expressly indicated otherwise, and apart from references to "Notes" in the terms and conditions of each Tranche of Notes and in "Summary of Provisions Relating to the Notes while in Global Form" (where references to the "Notes" means the Notes of the relevant Tranche), the Sterling Undated Notes, the Euro Undated Notes and the Dated Notes are together referred to herein as the "Notes" and each a "Tranche".

No dealer, salesman or other person is authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers (as defined under "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Group since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase, any of the Notes.

The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Neither the Issuer nor any Manager represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Offering Circular as listing particulars by the UK Listing Authority and delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales, no action has been taken by the Issuer or any of the Managers which would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about, and to observe, any applicable restrictions. For a description of certain further restrictions on the offering, sale and delivery of the Notes and on the distribution of this Offering Circular, see "Subscription and Sale" below.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States of America or to United States persons.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "pounds", "sterling" and "£" are to the currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom") and all references to "€" and "euro" are to the single currency which was introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Communities (as amended by the Treaty on European Union and the Treaty of Amsterdam).

IN CONNECTION WITH THESE ISSUES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE STERLING UNDATED NOTES, THE EURO UNDATED NOTES AND THE DATED NOTES AT A LEVEL HIGHER THAN THAT WHICH WOULD OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO OBLIGATION ON LEHMAN BROTHERS INTERNATIONAL (EUROPE) OR ANY AGENT OF IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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## TERMS AND CONDITIONS OF THE STERLING UNDATED NOTES

*The following are the terms and conditions of the Sterling Undated Notes substantially in the form in which they will appear on the Sterling Undated Notes in definitive form.*

The £800,000,000 6.125 per cent. Fixed Rate Perpetual Reset Subordinated Notes (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Aviva plc (the “Issuer”) are constituted by a trust deed (the “Trust Deed”) dated 29 September 2003 between the Issuer 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 holders of the Notes (the “Noteholders”). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 20 June 2003 and resolutions of a duly authorised committee of the Board of Directors passed on 9 September 2003. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the “Paying Agency Agreement”) dated 29 September 2003 made between the Issuer, HSBC Bank plc as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor thereto) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”), HSBC Bank plc as calculation agent (the “Calculation Agent”, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the “Coupons”) and talons for further Coupons (the “Talons”) appertaining to Notes in definitive form (the “Couponholders”) at the registered office of the Trustee, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

### 1. Form, Denomination and Transfer

#### (a) Form and Denomination

The Notes are in bearer form in the denominations of £10,000 and £100,000, serially numbered. Notes of one denomination may not be exchanged for Notes of the other denomination.

#### (b) Global Notes

The Notes are initially represented by a temporary global note (the “Temporary Global Note”) in bearer form, without Coupons or Talons attached, in the principal amount of £800,000,000 deposited with a common depositary (the “Common Depositary”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) on 29 September 2003. Not earlier than 10 November 2003, the Temporary Global Note is exchangeable for a further global note in bearer form, without Coupons or Talons attached, in the principal amount of up to £800,000,000 (the “Permanent Global Note”). Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the “Global Notes”. The Permanent Global Note will only be exchangeable for definitive Notes in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) of this Condition 1). The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) of this Condition 1) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).

#### (c) Transfers

For so long as the Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. Title to the definitive Notes issued in the limited circumstances described in paragraph (e) of this Condition 1 and the Coupons and Talons will pass by delivery.

(d) **Title**

For so long as the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee, the Paying Agents and the bearer of the relevant Global Note as a holder of such principal amount of Notes (and the expression "Noteholder" and references to "holding of Notes" and to "holders of Notes" shall be construed accordingly) for all purposes other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Trustee.

(e) **Definitive Notes**

If (i) any event described in paragraph (a) of Condition 8 occurs and is continuing, (ii) the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved by the Trustee and such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Trustee is available or (iii) the Trustee is satisfied that on the occasion of the next payment in respect of the Notes the Issuer or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will (at no cost to the Noteholders) issue definitive Notes, serially numbered, in the denominations of £10,000 and £100,000 each with Coupons and Talons attached on issue (in exchange for the entire Permanent Global Note) within 45 days of the occurrence of the relevant event described in (i), (ii) or (iii) above.

2. **Status and Subordination**

- (a) The Notes constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank, and will rank, *pari passu* without any preference among themselves.
- (b) The claims of the Noteholders against the Issuer in respect of payments pursuant to the Notes will, in the event of a winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 3) of the Issuer.
- (c) As used in this Condition 2, the expression "obligations" includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.
- (d) Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer under or in connection with the Notes is discharged by set-off, such Noteholder shall immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up, the liquidator of the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer, and accordingly any such discharge shall be deemed not to have taken place.
- (e) (i) Except in a winding-up of the Issuer, all payments in respect of the Notes are conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 2(e)(i), the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Issuer by two directors of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof. In a winding-up of the Issuer, the amount payable in respect of the Notes shall be determined in accordance with the provisions described below.

- (ii) If at any time an order is made or an effective resolution is passed for the winding-up of the Issuer (except in any such case a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, 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), there shall be payable on each Note (in lieu of any other payment, but subject as provided in this Condition 2) such amount, if any, as would have been payable to the holder thereof if, on the date prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of a preference share in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Note, together with Arrears of Interest (as defined below), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

*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 Senior Creditors (as defined below) have been satisfied.*

### 3. Definitions

As used in these Conditions:

**"Arrears of Interest"** has the meaning given in Condition 5(b);

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

**"Benchmark Gilt"** means, in respect of an Interest Calculation Period, such United Kingdom government security having a maturity date on or about the last day of such Interest Calculation Period as the Calculation Agent, with the advice of the Reference Market Makers, may determine to be appropriate;

**"business day"** has the meaning given in Condition 4(e) except in relation to Condition 7(d) where **"business day"** shall bear the meaning attributed to that term in Condition 7(d);

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

**"Capital Disqualification Event"** has the meaning given in Condition 6(d);

**"Clearstream, Luxembourg"** has the meaning given in Condition 1(b);

**"Common Depositary"** has the meaning given in Condition 1(b);

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

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

**"Deferral Notice"** has the meaning given in Condition 5(a);

**"Determination Date"** in relation to an Interest Calculation Period means the fifth business day (being a day other than a Saturday or Sunday on which banks are open for business in London), prior to the first day of such Interest Calculation Period, provided that if it is not possible for any reason to determine the Gross Redemption Yield on such day, the Determination Date shall be postponed to the first business day thereafter on which the Calculation Agent determines that it is possible to determine the Gross Redemption Yield, provided that such day occurs before the first day of such Interest Calculation Period. If such day falls on or after the first day of such Interest Calculation Period, that Determination Date shall instead be the business day which is, or is nearest to but after, the first day of such Interest Calculation Period, and upon which the Calculation Agent determines that it is possible to determine the Gross Redemption Yield;

**"Directive"** means Directive 98/78/EC of the European Union;

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

**"Euroclear"** has the meaning given in Condition 1(b);

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

**"FSA"** means the Financial Services Authority (or, if at any time the Financial Services Authority is not the relevant regulator, such other regulator as shall be the relevant regulator of insurance companies operating in the United Kingdom);

**"Gross Redemption Yield"** means, with respect to a security, the gross redemption yield on such security (as calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8/6/1998) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places));

**"Initial Interest Rate"** has the meaning given in Condition 4(c);

**"Interest Calculation Period"** means each period commencing on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date for so long as any Notes are outstanding (as defined in the Trust Deed);

**"Interest Payment Date"** means 29 September in each year, commencing 29 September 2004;

**"IPRU (INS)"** means the "Interim Prudential Sourcebook: Insurers" that forms part of the rules of the FSA or any equivalent rules or regulatory provisions from time to time replacing it or the rules therein;

**"Issue Date"** means 29 September 2003;

**"Issuer's Territory"** has the meaning given in Condition 11(vi);

**"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;

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

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

**"Optional Interest Payment Date"** means any Interest Payment Date where:

- (i) (a) a Regulatory Intervention has occurred prior to such Interest Payment Date and is continuing on such Interest Payment Date or is reasonably likely to occur as a result of making the payments due on such Interest Payment Date; and
- (b) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) and no dividend or other distribution has been irrevocably declared on any class of the Issuer's share capital since the date of the commencement of that Regulatory Intervention; or
- (ii) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) during the financial year of the Issuer in which such Interest Payment Date falls, and no dividend or other distribution on any class of the Issuer's share capital was irrevocably declared at or since the annual general meeting of shareholders immediately prior to that Interest Payment Date;

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

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

**"Permanent Global Note"** has the meaning given in Condition 1(b);

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

**"Reference Bond"** means the 8 per cent. Treasury Stock due June 2021, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to 29 September 2022, as the Calculation Agent may, with the advice of Reference Market Makers, determine to be appropriate by way of substitution for the 8 per cent. Treasury Stock due June 2021;

**"Reference Date"** means the date which is three dealing days prior to the date fixed for redemption by the Issuer referred to in Condition 6(d);

**"Reference Market Makers"** means three brokers of gilts and/or gilt edged market makers selected by the Calculation Agent and approved for this purpose by the Trustee or such other three persons operating in the gilt

edged market as are selected by the Calculation Agent and approved for this purpose by the Trustee in consultation with the Issuer;

**"Regulatory Intervention"** means (a) with respect to the Issuer, a request from any Relevant Supervisory Authority to restore or improve any applicable solvency margins or capital adequacy level of the Issuer, (b) in respect of any of the Issuer's EEA Regulated Subsidiaries, a request to that EEA Regulated Subsidiary by its Relevant Supervisory Authority to restore either its applicable minimum solvency margins or capital adequacy levels or the FSA is notified by a Relevant Supervisory Authority that such Relevant Supervisory Authority has made such request to the applicable EEA Regulated Subsidiary, or (c) if, on any date on which a payment in respect of the Notes is due, the Issuer or any one of the EEA Regulated Subsidiaries has failed (or is reasonably likely to so fail immediately after such payment) to meet its applicable minimum or notional solvency margins or capital adequacy levels as at the date of the most recent audited accounts of the Issuer or, as the case may be, that EEA Regulated Subsidiary or, if later, the date such margins or levels were most recently tested for regulatory purposes or, if later, any date falling on or prior to the date such payment is, or otherwise would be, due selected by the Board of Directors (or other management body) of the Issuer or, as the case may be, that EEA Regulated Subsidiary. A Regulatory Intervention shall be deemed to be continuing until such date as, in the case of (a) or (b), the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of the Relevant Supervisory Authority or the request is otherwise withdrawn or addressed to the satisfaction of the Relevant Supervisory Authority or, in the case of (c), the first date on which the Issuer or relevant EEA Regulated Subsidiary, as applicable, meets its applicable minimum or notional solvency margins or, as the case may be, capital adequacy levels, as determined and is certified to the Trustee by the Board of Directors (or other management body) thereof;

**"Relevant Date"** means, in respect of any payment on the Notes, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 14;

**"Relevant Rules"** has the meaning given in Condition 6(d);

**"Relevant Supervisory Authority"** means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

**"Reset Date"** means 29 September 2022 and each Interest Payment Date falling on or nearest to the fifth anniversary of the preceding Reset Date;

**"Reset Rate of Interest"** has the meaning given in Condition 4(d);

**"Resumption Date"** has the meaning given in Condition 5(b);

**"Senior Creditors"** means all creditors of the Issuer who are (i) unsubordinated creditors of the Issuer or (ii) subordinated creditors of the Issuer other than those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders;

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

**"Substitute Obligor"** has the meaning given in Condition 11;

**"Substituted Territory"** has the meaning given in Condition 11;

**"Tax Event"** has the meaning given in Condition 6(b);

**"Temporary Global Note"** has the meaning given in Condition 1(b);

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

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



**4. Interest**

**(a) Rate of Interest**

The Notes bear interest from the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 2 and 5, interest shall be payable on the Notes annually in arrear on each Interest Payment Date.

Where it is necessary to compute an amount of interest in respect of any Note for a period of less than one year such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Where it is necessary to compute an amount of interest in respect of any Note for a period of more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

**(b) Interest Accrual**

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(b), (c) or (d) unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

**(c) Initial Rate of Interest**

For the period from, and including, the Issue Date to, but excluding, 29 September 2022, the Notes bear interest at the rate of 6.125 per cent. per annum (the “Initial Interest Rate”).

**(d) Reset Rate of Interest**

From (and including) 29 September 2022, the rate of interest payable on the Notes in respect of each Interest Calculation Period (the “Reset Rate of Interest”) will be the rate per annum which is the aggregate of 2.40 per cent. and the Gross Redemption Yield of the Benchmark Gilt in respect of such Interest Calculation Period with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to four decimal places) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Market Makers at 3.00 p.m. (London time) on the relevant Determination Date on a dealing basis for settlement on the next following dealing day in London.

**(e) Publication of Reset Rate of Interest**

The Issuer shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each relevant Interest Calculation Period to be given to the Trustee, the Paying Agents, any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders as soon as practicable after its determination but in any event not later than the fourth business day thereafter. As used in this paragraph (e), “business day” means a day (not being a Saturday or Sunday) on which banks are open for business in London.

The Reset Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of proven or manifest error.

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

The Trustee shall, if the Calculation Agent does not at any relevant time for any reason determine the Reset Rate of Interest on the Notes in accordance with this Condition 4, determine the Reset Rate of Interest in respect of the relevant Interest Calculation Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 4), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Calculation Agent.

(g) **Determinations of Calculation Agent or Trustee Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

5. **Deferral of Payments**

(a) **Optional Deferral of Interest**

The Issuer may, on any Optional Interest Payment Date, defer payment of interest on the Notes otherwise payable on such date.

The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 5(a) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes. The Issuer shall notify the Trustee and the Noteholders as soon as practicable (and in any event within 10 business days) after any Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made (the "Deferral Notice"). The Issuer may defer paying interest on each Optional Interest Payment Date until the date on which the Notes are redeemed in full.

(b) **Arrears of Interest**

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, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Condition 5(a), will, subject to Condition 2, automatically become immediately due and payable (irrespective of any prior written notice to, or absence of objection from, the FSA) upon the earliest of the following (the "**Resumption Date**"):

- (i) the date on which the Issuer declares a dividend or other distribution or payment on any class of its share capital or pays interest on any other junior or *pari passu* ranking securities;
- (ii) the date on which the Issuer notifies the Trustee that no Regulatory Intervention that has occurred is or will be continuing on such date unless the Issuer is otherwise entitled to defer at such time by virtue of Condition 5(a);
- (iii) the date on which the Issuer commences and does not abandon a public offer to redeem, purchase or acquire any of its ordinary shares or other junior or *pari passu* ranking securities;
- (iv) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders); and
- (v) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 8(a).

(c) **No Default**

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made by virtue of Condition 5(a) shall not constitute a default for any purpose (including, but without limitation, Condition 8(a)) on the part of the Issuer. Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

6. **Redemption and Purchase**

(a) **No Fixed Maturity**

The Notes have no fixed redemption date and are redeemable only in accordance with the following provisions of this Condition 6 or Condition 8(a) subject in each case to giving at least six months' prior written notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given).

(b) **Redemption for taxation reasons**

If the Issuer satisfies the Trustee at any time immediately before the giving of the notice referred to below that:

- (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 9; or
- (ii) on the next Interest Payment Date the payment of interest in respect of the Notes would be treated, for reasons outside the control of the Issuer and any affiliate of the Issuer, as a “distribution” within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced),

(each such event, a “Tax Event”) the Issuer may, at its option, having given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem (subject to Condition 2) all, but not some only, of the Notes, at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(b), on or prior to the expiration of the notice referred to in (iii) below, the Issuer may at its option, redeem (subject to Condition 2) all, but not some only, of the Notes on any Reset Date at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest. In order to exercise its option, the Issuer must first have:

- (i) given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given); and
- (ii) given not less than 30 nor more than 60 days’ notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable).

(d) **Optional Redemption due to Capital Disqualification Event**

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days’ notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem (subject to Condition 2) all, but not some only, of the Notes at their Special Redemption Price if the date of redemption falls on or before the first Reset Date and at their principal amount if the date of redemption falls thereafter together in each case with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

A “Capital Disqualification Event” is deemed to have occurred if solvency calculations in respect of the Issuer are required by any Relevant Supervisory Authority, including, without limitation, pursuant to the Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the EEA implementing the Directive including the IPRU (INS) (the “Relevant Rules”) and:

- (i) under the Directive or the Relevant Rules or the application or official interpretation thereof, at the time, the Notes would not be capable of counting as cover for the minimum or notional margin of solvency required of the Issuer under the Directive or the Relevant Rules; or
- (ii) as a result of any change to the Directive or the Relevant Rules or the application or official interpretation thereof any Notes would not be capable of counting as cover for the minimum or notional margin of solvency of the Issuer under the Directive or the Relevant Rules.

(e) **Purchases**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) for the time being may, having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given) and at any time, purchase (subject to Condition 2) Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto. If purchases are made by tender, tenders must be available to all Noteholders alike.

**(f) Cancellation**

All Notes redeemed will be cancelled forthwith and such Notes may not be reissued or resold. Notes purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled and accordingly may not be held, reissued or resold.

**7. Payments**

**(a) Method of Payment**

Payments of principal and interest in respect of the Notes will be made against presentation and surrender of Notes or, in the case of payments of interest due on an Interest Payment Date or a Resumption Date, against surrender of the relevant Coupons at the specified office of any of the Paying Agents. Such payments will be made (subject to paragraph (b) below), at the option of the holder by sterling cheque drawn on, or by transfer to a sterling account maintained by the holder with, a bank in London, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 9.

**(b) Effect of Redemption on unmatured Coupons**

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

**(c) Surrender of Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or at the specified office of the Paying Agent in London in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

**(d) Payment on business days**

If the date for payment of any amount in respect of any Note or Coupon or any later date on which any Note or Coupon is presented for payment is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7(d), "business day" means any day (not being a Saturday or Sunday) on which, in the relevant place of payment and in London, commercial banks and foreign exchange markets settle payments in sterling.

**(e) Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will (i) at all times maintain a Paying Agent having a specified office in London and (ii) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 9 upon presentation of the Note or Coupon, as the case may be, for payment in the United Kingdom but for the application of Condition 9(iv), maintain a Paying Agent having a specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to any European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and which is approved by the Trustee, PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State to so withhold or deduct tax.

(f) **Notice**

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 14.

(g) **Definitive Notes**

If definitive Notes are required to be issued, the amount of interest in respect of such Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest £0.01.

**8. Events of Default and Enforcement**

(a) **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to paragraph (d) below), give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their principal amount together with accrued interest thereon and all Arrears of Interest if:

- (i) subject to the deferral provisions of Condition 5, default is made for a period of 10 days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

For the purposes of this Condition 8(a), a payment shall be deemed to be due even if the condition set out in Condition 2(e)(i) is not satisfied with respect to the Issuer.

(b) **Proceedings for Winding-up**

If the Notes become due and repayable (whether pursuant to paragraph (a) above or Condition 6) and are not paid when so due and repayable, the Trustee may at its discretion institute proceedings for the winding-up of the Issuer, provided, however, that the Trustee may only institute proceedings for the winding-up of the Issuer on or after the date two years and one day after the failure by the Issuer to make payment as described in this paragraph (b), but may take no further or other action to enforce the obligations of the Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes. No payment in respect of the Notes may be made by the Issuer pursuant to paragraph (a) above, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer, unless the Issuer has given prior written notice to, and received no objection from, the FSA.

(c) **Enforcement**

Without prejudice to paragraph (a) or (b) above, 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 obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(d) **Entitlement of the Trustee**

The Trustee shall not be bound to take any of the actions referred to in paragraph (a), (b) or (c) above 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 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 to its satisfaction.

(e) **Right of Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against 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. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

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

No remedy against the Issuer, other than as referred to in this Condition 8, 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 or under the Trust Deed.

**9. Taxation**

All payments by the Issuer in respect of the Notes will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied, collected, withheld or assessed, by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Noteholders or Couponholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note or Coupon:

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

References herein and in the Trust Deed to principal and/or interest shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed and references herein, and in the Trust Deed, to interest shall, where the context requires, include Arrears of Interest.

**10. Prescription**

Notes and Coupons (which, for this purpose, shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto.

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

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

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned

such meeting one or more persons holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented, except any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify the dates on which interest (including Arrears of Interest) is payable in respect of the Notes or the circumstances in which the payment of interest (including Arrears of Interest) may be deferred, (ii) to reduce or cancel the principal amount of or interest (including Arrears of Interest) on, or to vary the method of calculating the rate of interest in accordance with Condition 4 on, the Notes, (iii) to reduce the Initial Interest Rate, (iv) to change any Reset Date, (v) to change the currency of payments on the Notes, (vi) to modify the provisions of Condition 2 or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case, the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. A resolution in writing signed by one or more Noteholders holding or representing not less than 75 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed.

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

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

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

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

the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "Issuer's Territory"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, if any, will be read accordingly; and

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

In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 9 and/or undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **12. Replacement of the Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 14) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

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

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

## **14. Notices**

All notices regarding the Notes will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as aforesaid, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall approve.

## **15. Further Issues**

The Issuer is at liberty from time to time (but subject always to the terms and conditions of the Trust Deed) without the consent of the Noteholders or the Couponholders to create and issue further bonds, notes or debentures (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, subordination, interest, redemption and otherwise as the Issuer may determine at the time of their issue. Any further bonds, notes or debentures which are to form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds, notes or debentures may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.



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

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

**17. Governing Law**

The Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

## TERMS AND CONDITIONS OF THE EURO UNDATED NOTES

*The following are the terms and conditions of the Euro Undated Notes substantially in the form in which they will appear on the Euro Undated Notes in definitive form.*

The €500,000,000 5.70 per cent. Fixed/Floating Rate Perpetual Subordinated Notes (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Aviva plc (the “**Issuer**”) are constituted by a trust deed (the “**Trust Deed**”) dated 29 September 2003 between the Issuer 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 holders of the Notes (the “**Noteholders**”). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 20 June 2003 and resolutions of a duly authorised committee of the Board of Directors passed on 9 September 2003. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the “**Paying Agency Agreement**”) dated 29 September 2003 made between the Issuer, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”), HSBC Bank plc as agent bank (the “**Agent Bank**”, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the “**Coupons**”) and talons for further Coupons (the “**Talons**”) appertaining to Notes in definitive form (the “**Couponholders**”) at the registered office of the Trustee, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

### 1. Form, Denomination and Transfer

#### (a) Form and Denomination

The Notes are in bearer form in the denominations of €10,000 and €100,000, serially numbered. Notes of one denomination may not be exchanged for Notes of the other denomination.

#### (b) Global Notes

The Notes are initially represented by a temporary global note (the “**Temporary Global Note**”) in bearer form, without Coupons or Talons attached, in the principal amount of €500,000,000 deposited with a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on 29 September 2003. Not earlier than 10 November 2003, the Temporary Global Note is exchangeable for a further global note in bearer form, without Coupons or Talons attached, in the principal amount of up to €500,000,000 (the “**Permanent Global Note**”). Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the “**Global Notes**”. The Permanent Global Note will only be exchangeable for definitive Notes in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) of this Condition 1). The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) of this Condition 1) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).

#### (c) Transfers

For so long as the Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. Title to the definitive Notes issued in the limited circumstances described in paragraph (e) of this Condition 1 and the Coupons and Talons will pass by delivery.

(d) **Title**

For so long as the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee, the Paying Agents and the bearer of the relevant Global Note as a holder of such principal amount of Notes (and the expression “**Noteholder**” and references to “**holding of Notes**” and to “**holders of Notes**” shall be construed accordingly) for all purposes other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Trustee.

(e) **Definitive Notes**

If (i) any event described in paragraph (a) of Condition 8 occurs and is continuing, (ii) the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved by the Trustee and such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Trustee is available or (iii) the Trustee is satisfied that on the occasion of the next payment in respect of the Notes the Issuer or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will (at no cost to the Noteholders) issue definitive Notes, serially numbered, in the denominations of €10,000 and €100,000 each with Coupons and Talons attached on issue (in exchange for the entire Permanent Global Note) within 45 days of the occurrence of the relevant event described in (i), (ii) or (iii) above.

2. **Status and Subordination**

- (a) The Notes constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank, and will rank, *pari passu* without any preference among themselves.
- (b) The claims of the Noteholders against the Issuer in respect of payments pursuant to the Notes will, in the event of a winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 3) of the Issuer.
- (c) As used in this Condition 2, the expression “**obligations**” includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.
- (d) Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer under or in connection with the Notes is discharged by set-off, such Noteholder shall immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up, the liquidator of the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer, and accordingly any such discharge shall be deemed not to have taken place.
- (e) (i) Except in a winding-up of the Issuer, all payments in respect of the Notes are conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 2(e)(i), the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Issuer by two directors of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof. In a winding-up of the Issuer, the amount payable in respect of the Notes shall be determined in accordance with the provisions described below.

- (ii) If at any time an order is made or an effective resolution is passed for the winding-up of the Issuer (except in any such case a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business, 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), there shall be payable on each Note (in lieu of any other payment, but subject as provided in this Condition 2) such amount, if any, as would have been payable to the holder thereof if, on the date prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of a preference share in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Note, together with Arrears of Interest (as defined below), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

*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 Senior Creditors (as defined below) have been satisfied.*

### **3. Definitions**

As used in these Conditions:

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

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

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

“**business day**” has the meaning given in Condition 4(f) except in relation to Condition 7(d) where “**business day**” shall bear the meaning attributed to that term in Condition 7(d);

“**Capital Disqualification Event**” has the meaning given in Condition 6(d);

“**Clearstream, Luxembourg**” has the meaning given in Condition 1(b);

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

“**Coupon Amounts**” has the meaning given in Condition 4(e);

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

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

“**Debt Service**” means, in respect of a Note, all payments of principal of and interest on such Note;

“**Deferral Notice**” has the meaning given in Condition 5(a);

“**Directive**” means Directive 98/78/EC of the European Union;

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

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

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

“**Euro-zone**” means the region comprising member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty;

“**Fixed Interest Rate**” has the meaning given in Condition 4(c);

“**Fixed Rate Interest Period**” means the period from (and including) the Issue Date to (but excluding) the Reset Date;

“**Floating Rate of Interest**” has the meaning given in Condition 4(d);

“FSA” means the Financial Services Authority (or, if at any time the Financial Services Authority is not the relevant regulator, such other regulator as shall be the relevant regulator of insurance companies operating in the United Kingdom);

“IPRU (INS)” means the “Interim Prudential Sourcebook: Insurers” that forms part of the rules of the FSA or any equivalent rules or regulatory provisions from time to time replacing it or the rules therein;

“Interest Determination Date” means the second TARGET Business Day prior to the Reset Date and thereafter the second TARGET Business Day prior to the first day of each Interest Period commencing with the Interest Period beginning on the Interest Payment Date immediately following the Reset Date;

“Interest Payment Date” means 29 September in each year commencing 29 September 2004, up to and including the Reset Date and thereafter, subject as provided in Condition 5, 29 December, 29 March, 29 June and 29 September in each year;

“Interest Period” means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and thereafter each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next following Interest Payment Date;

“Issue Date” means 29 September 2003;

“Issuer’s Territory” has the meaning given in Condition 11(vi);

“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;

“Make Whole Premium” means the excess, if any, of (i) the present value of the future Debt Service on the Note (assuming for this purpose that the Notes are to be redeemed at their principal amount on the Reset Date) discounted at 0.75 per cent. above the then current yield on the 3.75 per cent. German Bundesobligationen due July 2013 (or, if such security is no longer in issue, such other German Bundesobligationen in issue on or about the Reference Date as the Agent Bank may, with the advice of Reference Euro Market Makers, determine to be appropriate by way of substitution for the 3.75 per cent. German Bundesobligationen due July 2013) over (ii) the outstanding principal amount of such Note;

“Margin” means 2.35 per cent.;

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

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

“Optional Interest Payment Date” means any Interest Payment Date where:

- (i) (a) a Regulatory Intervention has occurred prior to such Interest Payment Date and is continuing on such Interest Payment Date or is reasonably likely to occur as a result of making the payments due on such Interest Payment Date; and
- (b) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) and no dividend or other distribution has been irrevocably declared on any class of the Issuer’s share capital since the date of the commencement of that Regulatory Intervention; or
- (ii) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) during the financial year of the Issuer in which such Interest Payment Date falls, and no dividend or other distribution on any class of the Issuer’s share capital was irrevocably declared at or since the annual general meeting of shareholders immediately prior to that Interest Payment Date;

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

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

“Permanent Global Note” has the meaning given in Condition 1(b);

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

“Reference Banks” means four major banks in the Euro-zone interbank market as selected by the Agent Bank;

“Reference Date” means the date which is three dealing days prior to the date fixed for redemption by the Issuer referred to in Condition 6(d);

**"Reference Euro Market Makers"** means three brokers or market makers of European government bonds selected by the Agent Bank and approved for this purpose by the Trustee or such other three persons operating in the European government bonds market as are selected by the Agent Bank in consultation with the Issuer and approved for this purpose by the Trustee;

**"Regulatory Intervention"** means (a) with respect to the Issuer, a request from any Relevant Supervisory Authority to restore or improve any applicable solvency margins or capital adequacy level of the Issuer, (b) in respect of any of the Issuer's EEA Regulated Subsidiaries, a request to that EEA Regulated Subsidiary by its Relevant Supervisory Authority to restore either its applicable minimum solvency margins or capital adequacy levels or the FSA is notified by a Relevant Supervisory Authority that such Relevant Supervisory Authority has made such request to the applicable EEA Regulated Subsidiary, or (c) if, on any date on which a payment in respect of the Notes is due, the Issuer or any one of the EEA Regulated Subsidiaries has failed (or is reasonably likely to so fail immediately after such payment) to meet its applicable minimum or notional solvency margins or capital adequacy levels as at the date of the most recent audited accounts of the Issuer or, as the case may be, that EEA Regulated Subsidiary or, if later, the date such margins or levels were most recently tested for regulatory purposes or, if later, any date falling on or prior to the date such payment is, or otherwise would be, due selected by the Board of Directors (or other management body) of the Issuer or, as the case may be, that EEA Regulated Subsidiary. A Regulatory Intervention shall be deemed to be continuing until such date as, in the case of (a) or (b), the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of the Relevant Supervisory Authority or the request is otherwise withdrawn or addressed to the satisfaction of the Relevant Supervisory Authority or, in the case of (c), the first date on which the Issuer or relevant EEA Regulated Subsidiary, as applicable, meets its applicable minimum or notional solvency margins or, as the case may be, capital adequacy levels, as determined and is certified to the Trustee by the Board of Directors (or other management body) thereof;

**"Relevant Date"** means, in respect of any payment on the Notes, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 14;

**"Relevant Rules"** has the meaning given in Condition 6(d);

**"Relevant Supervisory Authority"** means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

**"Reset Date"** means 29 September 2015;

**"Resumption Date"** has the meaning given in Condition 5(b);

**"Senior Creditors"** means all creditors of the Issuer who are (i) unsubordinated creditors of the Issuer or (ii) subordinated creditors of the Issuer other than those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders;

**"Special Redemption Price"** means, in respect of each Note, a price equal to the sum of (a) the principal amount of such Note and (b) the Make Whole Premium;

**"Substitute Obligor"** has the meaning given in Condition 11;

**"Substituted Territory"** has the meaning given in Condition 11;

**"TARGET Business Day"** means a day on which the TARGET System is operating;

**"TARGET System"** means the Trans European Real Time Gross Settlement Express Transfer (TARGET) System;

**"Tax Event"** has the meaning given in Condition 6(b);

**"Temporary Global Note"** has the meaning given in Condition 1(b);

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

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

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

#### 4. Interest

##### (a) Rate of Interest

The Notes bear interest from the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 2 and 5, during the Fixed Rate Interest Period interest shall be payable on the Notes annually in arrear on each Interest Payment Date in the Fixed Rate Interest Period, and thereafter interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 4. If any Interest Payment Date falling after the Reset Date would otherwise fall on a day which is not a TARGET Business Day it shall be postponed to the next day which is a TARGET Business Day unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding TARGET Business Day.

Where it is necessary to compute an amount of interest in respect of any Note during the Fixed Rate Interest Period for a period of less than a complete Interest Period, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Interest shall accrue on the Notes in respect of all Interest Periods (and any other period in respect of which interest may fall to be calculated) commencing on or after the Reset Date on the basis of the actual number of days elapsed in the relevant period divided by 360.

##### (b) Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(b), (c) or (d)) unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

##### (c) Fixed Rate of Interest

For the Fixed Rate Interest Period the Notes bear interest at the rate of 5.70 per cent. per annum (the "Fixed Interest Rate").

##### (d) Floating Rate of Interest

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

- (i) On each Interest Determination Date the Agent Bank will determine the offered rate (expressed as a rate per annum) for three-month euro deposits as at 11.00 a.m. (Central European time) on such Interest Determination Date, as displayed on the display designated as page "248" on the Moneyline Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Rate of Interest for the Interest Period immediately succeeding the Interest Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Euro-zone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter bank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Rate of Interest for the Interest Period immediately succeeding the relevant Interest Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Interest Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Rate of Interest for the Interest Period immediately succeeding such Interest Determination Date

shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading European banks for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Rate of Interest for such Interest Period shall be either (1) the Floating Rate of Interest in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 4(d) shall have applied or (2) if none, 5.70 per cent. per annum.

**(e) Determination of Floating Rate of Interest and Calculation of Coupon Amounts**

The Agent Bank will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Floating Rate of Interest in respect of the relevant Interest Period and calculate the amount of interest payable in respect of a Note of each denomination on the Interest Payment Date for the relevant Interest Period (the "Coupon Amounts") by applying the Floating Rate of Interest for such Interest Period to the principal amount of a Note of each denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and, if necessary, rounding the resultant figure to the nearest €0.01 (€0.005 being rounded upwards).

**(f) Publication of Floating Rate of Interest and Coupon Amounts**

The Issuer shall cause notice of the Floating Rate of Interest determined in accordance with this Condition 4 in respect of each relevant Interest Period and of the Coupon Amounts and the relevant Interest Payment Date to be given to the Trustee, the Paying Agents, any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders as soon as practicable after its determination but in any event not later than the fourth business day thereafter. As used in this paragraph (f), "business day" means a day (not being a Saturday or Sunday) on which banks are open for business in London.

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

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

The Trustee shall, if the Agent Bank does not at any relevant time for any reason determine the Floating Rate of Interest on the Notes in accordance with this Condition 4, determine the Floating Rate of Interest in respect of the relevant Interest Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 4), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

**(h) Agent Bank**

So long as any Notes remain outstanding the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to paragraph (g) above) fails duly to determine the Floating Rate of Interest in respect of any Interest Period as provided in paragraph (d) above, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 whether by the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.



## 5. Deferral of Payments

### (a) Optional Deferral of Interest

The Issuer may, on any Optional Interest Payment Date, defer payment of interest on the Notes otherwise payable on such date.

The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 5(a) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes. The Issuer shall notify the Trustee and the Noteholders as soon as practicable (and in any event within 10 business days) after any Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made (the "Deferral Notice"). The Issuer may defer paying interest on each Optional Interest Payment Date until the date on which the Notes are redeemed in full.

### (b) Arrears of Interest

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, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute "Arrears of Interest". Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Condition 5(a), will, subject to Condition 2, automatically become immediately due and payable (irrespective of any prior written notice to, or absence of objection from, the FSA) upon the earliest of the following (the "Resumption Date"):

- (i) the date on which the Issuer declares a dividend or other distribution or payment on any class of its share capital or pays interest on any other junior or *pari passu* ranking securities;
- (ii) the date on which the Issuer notifies the Trustee that no Regulatory Intervention that has occurred is or will be continuing on such date unless the Issuer is otherwise entitled to defer at such time by virtue of Condition 5(a);
- (iii) the date on which the Issuer commences and does not abandon a public offer to redeem, purchase or acquire any of its ordinary shares or other junior or *pari passu* ranking securities;
- (iv) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders); and
- (v) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 8(a).

### (c) No Default

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made by virtue of Condition 5(a) shall not constitute a default for any purpose (including, but without limitation, Condition 8(a)) on the part of the Issuer. Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

## 6. Redemption and Purchase

### (a) No Fixed Maturity

The Notes have no fixed redemption date and are redeemable only in accordance with the following provisions of this Condition 6 or Condition 8(a) subject in each case to giving at least six months' prior written notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given).

### (b) Redemption for taxation reasons

If the Issuer satisfies the Trustee at any time immediately before the giving of the notice referred to below that 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 9; or

- (ii) on the next Interest Payment Date the payment of interest in respect of the Notes would be treated, for reasons outside the control of the Issuer and any affiliate of the Issuer, as a “distribution” within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced),

(each such event, a “Tax Event”) the Issuer may, at its option, having given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem (subject to Condition 2) all, but not some only, of the Notes, at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest at any time prior to the Reset Date and thereafter only on an Interest Payment Date.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(b), on or prior to the expiration of the notice referred to in (iii) below, the Issuer may at its option, redeem (subject to Condition 2) all, but not some only, of the Notes on the Reset Date or any Interest Payment Date thereafter at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest. In order to exercise its option, the Issuer must first have:

- (i) given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given); and
- (ii) given not less than 30 nor more than 60 days’ notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable).

**(d) Optional Redemption due to Capital Disqualification Event**

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having given at least six months’ prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days’ notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem (subject to Condition 2) at any time prior to the Reset Date and thereafter only on an Interest Payment Date all, but not some only, of the Notes at their Special Redemption Price if the date of redemption falls on or before the Reset Date and at their principal amount if the date of redemption falls thereafter together in each case with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

A “Capital Disqualification Event” is deemed to have occurred if solvency calculations in respect of the Issuer are required by any Relevant Supervisory Authority, including, without limitation, pursuant to the Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the EEA implementing the Directive including the IPRU (INS) (the “Relevant Rules”) and:

- (i) under the Directive or the Relevant Rules or the application or official interpretation thereof, at the time, the Notes would not be capable of counting as cover for the minimum or notional margin of solvency required of the Issuer under the Directive or the Relevant Rules; or
- (ii) as a result of any change to the Directive or the Relevant Rules or the application or official interpretation thereof any Notes would not be capable of counting as cover for the minimum or notional margin of solvency of the Issuer under the Directive or the Relevant Rules.

**(e) Purchases**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) for the time being may, having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given) and at any time, purchase (subject to Condition 2) Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto. If purchases are made by tender, tenders must be available to all Noteholders alike.

**(f) Cancellation**

All Notes redeemed will be cancelled forthwith and such Notes may not be reissued or resold. Notes purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled and accordingly may not be held, reissued or resold.

**7. Payments**

**(a) Method of Payment**

Payments of principal and interest in respect of the Notes will be made against presentation and surrender of Notes or, in the case of payments of interest due on an Interest Payment Date or a Resumption Date, against surrender of the relevant Coupons at the specified office of any of the Paying Agents. Such payments will be made (subject to paragraph (b) below), at the option of the holder by euro cheque drawn on, or by transfer to a euro account maintained by the holder with, a bank in a city in which banks have access to the TARGET System, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 9.

**(b) Effect of Redemption on unmatured Coupons**

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

**(c) Surrender of Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or at the specified office of the Paying Agent in London in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

**(d) Payment on business days**

If the date for payment of any amount in respect of any Note or Coupon or any later date on which any Note or Coupon is presented for payment is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7(d), "business day" means any day (not being a Saturday or Sunday) on which banks are open for business in the relevant place of payment and which is a TARGET Business Day.

**(e) Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will (i) at all times maintain a Paying Agent having a specified office in London and (ii) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 9 upon presentation of the Note or Coupon, as the case may be, for payment in the United Kingdom but for the application of Condition 9(iv), maintain a Paying Agent having a specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to any European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and which is approved by the Trustee, PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State to so withhold or deduct tax.

**(f) Notice**

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 14.

**(g) Definitive Notes**

If definitive Notes are required to be issued, the amount of interest in respect of such Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01.

**8. Events of Default and Enforcement**

**(a) Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to paragraph (d) below), give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their principal amount together with accrued interest thereon and all Arrears of Interest if:

- (i) subject to the deferral provisions of Condition 5, default is made for a period of 10 days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

For the purposes of this Condition 8(a), a payment shall be deemed to be due even if the condition set out in Condition 2(e)(i) is not satisfied with respect to the Issuer.

**(b) Proceedings for Winding-up**

If the Notes become due and repayable (whether pursuant to paragraph (a) above or Condition 6) and are not paid when so due and repayable, the Trustee may at its discretion institute proceedings for the winding-up of the Issuer, provided, however, that the Trustee may only institute proceedings for the winding-up of the Issuer on or after the date two years and one day after the failure by the Issuer to make payment as described in this paragraph (b), but may take no further or other action to enforce the obligations of the Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes. No payment in respect of the Notes may be made by the Issuer pursuant to paragraph (a) above, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer, unless the Issuer has given prior written notice to, and received no objection from, the FSA.

**(c) Enforcement**

Without prejudice to paragraph (a) or (b) above, 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 obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**(d) Entitlement of the Trustee**

The Trustee shall not be bound to take any of the actions referred to in paragraph (a), (b) or (c) above 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 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 to its satisfaction.

**(e) Right of Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against 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. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

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

No remedy against the Issuer, other than as referred to in this Condition 8, 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 or under the Trust Deed.

**9. Taxation**

All payments by the Issuer in respect of the Notes will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied, collected, withheld or assessed, by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Noteholders or Couponholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note or Coupon:

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

References herein and in the Trust Deed to principal and/or interest shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed and references herein, and in the Trust Deed, to interest shall, where the context requires, include Arrears of Interest.

**10. Prescription**

Notes and Coupons (which, for this purpose, shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto.

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

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

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned

such meeting one or more persons holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented, except any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify the dates on which interest (including Arrears of Interest) is payable in respect of the Notes or the circumstances in which the payment of interest (including Arrears of Interest) may be deferred, (ii) to reduce the Margin, to reduce or cancel the principal amount of or interest (including Arrears of Interest) on, or to vary the method of calculating the rate of interest in accordance with Condition 4 on, the Notes, (iii) to reduce the Fixed Interest Rate, (iv) to change the Reset Date, (v) to change the currency of payments on the Notes, (vi) to modify the provisions of Condition 2 or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case, the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. A resolution in writing signed by one or more Noteholders holding or representing not less than 75 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed.

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

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

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

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

the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "Issuer's Territory"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, if any, will be read accordingly; and

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

In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 9 and/or undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **12. Replacement of the Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 14) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

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

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

## **14. Notices**

All notices regarding the Notes will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as aforesaid, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall approve.

## **15. Further Issues**

The Issuer is at liberty from time to time (but subject always to the terms and conditions of the Trust Deed) without the consent of the Noteholders or the Couponholders to create and issue further bonds, notes or debentures (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, subordination, interest, redemption and otherwise as the Issuer may determine at the time of their issue. Any further bonds, notes or debentures which are to form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds, notes or debentures may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

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

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

**17. Governing Law**

The Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.



## TERMS AND CONDITIONS OF THE DATED NOTES

*The following are the terms and conditions of the Dated Notes substantially in the form in which they will appear on the Dated Notes in definitive form.*

The €650,000,000 5.25 per cent. Fixed/Floating Rate Subordinated Notes due 2023 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Aviva plc (the “Issuer”) are constituted by a trust deed (the “Trust Deed”) dated 29 September 2003 between the Issuer 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 holders of the Notes (the “Noteholders”). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 20 June 2003 and resolutions of a duly authorised committee of the Board of Directors passed on 9 September 2003. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the “Paying Agency Agreement”) dated 29 September 2003 made between the Issuer, HSBC Bank plc as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor thereto) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”), HSBC Bank plc as agent bank (the “Agent Bank”, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the “Coupons”) and talons for further Coupons (the “Talons”) appertaining to Notes in definitive form (the “Couponholders”) at the registered office of the Trustee, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

### 1. Form, Denomination and Transfer

#### (a) Form and Denomination

The Notes are in bearer form in the denominations of €10,000 and €100,000, serially numbered. Notes of one denomination may not be exchanged for Notes of the other denomination.

#### (b) Global Notes

The Notes are initially represented by a temporary global note (the “Temporary Global Note”) in bearer form, without Coupons or Talons attached, in the principal amount of €650,000,000 deposited with a common depositary (the “Common Depositary”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) on 29 September 2003. Not earlier than 10 November 2003, the Temporary Global Note is exchangeable for a further global note in bearer form, without Coupons or Talons attached, in the principal amount of up to €650,000,000 (the “Permanent Global Note”). Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the “Global Notes”. The Permanent Global Note will only be exchangeable for definitive Notes in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) of this Condition 1). The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) of this Condition 1) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).

#### (c) Transfers

For so long as the Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. Title to the definitive Notes issued in the limited circumstances described in paragraph (e) of this Condition 1 and the Coupons and Talons will pass by delivery.

(d) **Title**

For so long as the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee, the Paying Agents and the bearer of the relevant Global Note as a holder of such principal amount of Notes (and the expression "Noteholder" and references to "holding of Notes" and to "holders of Notes" shall be construed accordingly) for all purposes other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Trustee.

(e) **Definitive Notes**

If (i) any event described in paragraph (a) of Condition 8 occurs and is continuing, (ii) the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved by the Trustee and such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Trustee is available or (iii) the Trustee is satisfied that on the occasion of the next payment in respect of the Notes the Issuer or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will (at no cost to the Noteholders) issue definitive Notes, serially numbered, in the denominations of €10,000 and €100,000 each with Coupons and a Talon attached on issue (in exchange for the entire Permanent Global Note) within 45 days of the occurrence of the relevant event described in (i), (ii) or (iii) above.

2. **Status and Subordination**

- (a) The Notes constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank, and will rank, *pari passu* without any preference among themselves. The Notes will rank on a winding-up of the Issuer in priority to all undated or perpetual subordinated obligations of the Issuer.
- (b) The claims of the Noteholders against the Issuer in respect of payments pursuant to the Notes will, in the event of a winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 3) of the Issuer.
- (c) As used in this Condition 2, the expression "obligations" includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.
- (d) Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer under or in connection with the Notes is discharged by set-off, such Noteholder shall immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up, the liquidator of the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

*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 Senior Creditors (as defined below) have been satisfied.*

3. **Definitions**

As used in these Conditions:

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

**"Arrears of Interest"** has the meaning given in Condition 5(b);  
**"business day"** has the meaning given in Condition 4(f) except in relation to Condition 7(d) where **"business day"** shall bear the meaning attributed to that term in Condition 7(d);  
**"Capital Disqualification Event"** has the meaning given in Condition 6(e);  
**"Clearstream, Luxembourg"** has the meaning given in Condition 1(b);  
**"Common Depositary"** has the meaning given in Condition 1(b);  
**"Coupon Amounts"** has the meaning given in Condition 4(e);  
**"Couponholders"** has the meaning given in the preamble to these Conditions;  
**"Coupons"** has the meaning given in the preamble to these Conditions;  
**"Debt Service"** means, in respect of a Note, all payments of principal of and interest on such Note;  
**"Deferral Notice"** has the meaning given in Condition 5(a);  
**"Deferred Maturity Date"** means the day following the second anniversary of the Maturity Date;  
**"Directive"** means Directive 98/78/EC of the European Union;  
**"EEA Regulated Subsidiary"** means any entity engaged in the insurance business and regulated as such by a member state of the European Economic Area in which the Issuer, directly or indirectly, holds 20 per cent. or more of the voting rights or capital;  
**"Euroclear"** has the meaning given in Condition 1(b);  
**"European Economic Area or EEA"** means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;  
**"Euro-zone"** means the region comprising member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty;  
**"Fixed Interest Rate"** has the meaning given in Condition 4(c);  
**"Fixed Rate Interest Period"** means the period from (and including) the Issue Date to (but excluding) the Reset Date;  
**"Floating Rate of Interest"** has the meaning given in Condition 4(d);  
**"FSA"** means the Financial Services Authority (or, if at any time the Financial Services Authority is not the relevant regulator, such other regulator as shall be the relevant regulator of insurance companies operating in the United Kingdom);  
**"IPRU (INS)"** means the "Interim Prudential Sourcebook: Insurers" that forms part of the rules of the FSA or any equivalent rules or regulatory provisions from time to time replacing it or the rules therein;  
**"Interest Determination Date"** means the second TARGET Business Day prior to the Reset Date and thereafter the second TARGET Business Day prior to the first day of each Interest Period commencing with the Interest Period beginning on the Interest Payment Date immediately following the Reset Date;  
**"Interest Payment Date"** means 2 October in each year commencing on 2 October 2004 (in respect of the Interest Period commencing on (and including) the Issue Date and ending on (but excluding) 2 October 2004) up to and including the Reset Date and thereafter, subject as provided in Condition 5, 2 January, 2 April, 2 July and 2 October in each year;  
**"Interest Period"** means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and thereafter each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next following Interest Payment Date;  
**"Issue Date"** means 29 September 2003;  
**"Issuer's Territory"** has the meaning given in Condition 11(vi);  
**"Make Whole Premium"** means the excess, if any, of (i) the present value of the future Debt Service on the Note (assuming for this purpose that the Notes are to be redeemed at their principal amount on the Reset Date) discounted at 0.75 per cent. above the then current yield on the 3.75 per cent. German Bundesobligationen due

July 2013 (or, if such security is no longer in issue, such other German Bundesobligationen in issue on or about the Reference Date as the Agent Bank may, with the advice of Reference Euro Market Makers, determine to be appropriate by way of substitution for the 3.75 per cent. German Bundesobligationen due July 2013) over (ii) the outstanding principal amount of such Note;

“Margin” means 2.08 per cent.;

“Maturity Date” has the meaning given in Condition 6(a);

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

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

“Optional Interest Payment Date” means any Interest Payment Date where:

- (i) (a) a Regulatory Intervention has occurred prior to such Interest Payment Date and is continuing on such Interest Payment Date or is reasonably likely to occur as a result of making the payments due on such Interest Payment Date; and
- (b) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) and no dividend or other distribution has been irrevocably declared on any class of the Issuer’s share capital since the date of the commencement of that Regulatory Intervention; or
- (ii) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) during the financial year of the Issuer in which such Interest Payment Date falls, and no dividend or other distribution on any class of the Issuer’s share capital was irrevocably declared at or since the annual general meeting of shareholders immediately prior to that Interest Payment Date;

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

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

“Permanent Global Note” has the meaning given in Condition 1(b);

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

“Reference Banks” means four major banks in the Euro-zone interbank market as selected by the Agent Bank;

“Reference Date” means the date which is three dealing days prior to the date fixed for redemption by the Issuer referred to in Condition 6(e);

“Reference Euro Market Makers” means three brokers or market makers of European government bonds selected by the Agent Bank and approved for this purpose by the Trustee or such other three persons operating in the European government bonds market as are selected by the Agent Bank in consultation with the Issuer and approved for this purpose by the Trustee;

“Regulatory Intervention” means (a) with respect to the Issuer, a request from any Relevant Supervisory Authority to restore or improve any applicable solvency margins or capital adequacy level of the Issuer, (b) in respect of any of the Issuer’s EEA Regulated Subsidiaries, a request to that EEA Regulated Subsidiary by its Relevant Supervisory Authority to restore either its applicable minimum solvency margins or capital adequacy levels or the FSA is notified by a Relevant Supervisory Authority that such Relevant Supervisory Authority has made such request to the applicable EEA Regulated Subsidiary, or (c) if, on any date (other than the Deferred Maturity Date) on which a payment in respect of principal or interest in respect of the Notes is due, the Issuer or any one of the EEA Regulated Subsidiaries has failed (or is reasonably likely to so fail immediately after such payment) to meet its applicable minimum or notional solvency margins or capital adequacy levels as at the date of the most recent audited accounts of the Issuer or, as the case may be, that EEA Regulated Subsidiary or, if later, the date such margins or levels were most recently tested for regulatory purposes or, if later, any date falling on or prior to the date such payment is, or otherwise would be, due selected by the Board of Directors (or other management body) of the Issuer or, as the case may be, that EEA Regulated Subsidiary. A Regulatory Intervention shall be deemed to be continuing until such date as, in the case of (a) or (b), the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of the Relevant Supervisory Authority or the request is otherwise withdrawn or addressed to the satisfaction of the Relevant Supervisory Authority or, in the case of (c), the first date on which the Issuer or relevant EEA Regulated Subsidiary, as applicable, meets its applicable minimum or notional solvency margins or, as the case may be, capital adequacy levels, as determined and so certified to the Trustee by the Board of Directors (or other management body) thereof;

**"Relevant Date"** means, in respect of any payment on the Notes, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 14;

**"Relevant Rules"** has the meaning given in Condition 6(e);

**"Relevant Supervisory Authority"** means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

**"Reset Date"** means 2 October 2013;

**"Resumption Date"** has the meaning given in Condition 5(b);

**"Senior Creditors"** means all creditors of the Issuer who are (i) unsubordinated creditors of the Issuer or (ii) subordinated creditors of the Issuer other than (x) holders of undated or perpetual subordinated indebtedness and (y) those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders;

**"Special Redemption Price"** means, in respect of each Note, a price equal to the sum of (a) the principal amount of such Note and (b) the Make Whole Premium;

**"Substitute Obligor"** has the meaning given in Condition 11;

**"Substituted Territory"** has the meaning given in Condition 11(vi);

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

**"TARGET Business Day"** means a day on which the TARGET System is operating;

**"TARGET System"** means the Trans European Real Time Gross Settlement Express Transfer (TARGET) System;

**"Tax Event"** has the meaning given in Condition 6(b);

**"Temporary Global Note"** has the meaning given in Condition 1(b);

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

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

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

#### **4. Interest**

##### **(a) Rate of Interest**

The Notes bear interest from the Issue Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, during the Fixed Rate Interest Period interest shall be payable on the Notes annually in arrear on each Interest Payment Date in the Fixed Rate Interest Period, and thereafter interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 4. If any Interest Payment Date falling after the Reset Date would otherwise fall on a day which is not a TARGET Business Day it shall be postponed to the next day which is a TARGET Business Day unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding TARGET Business Day.

Where it is necessary to compute an amount of interest in respect of any Note during the Fixed Rate Interest Period for a period of less than a complete Interest Period, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Interest shall accrue on the Notes in respect of all Interest Periods (and any other period in respect of which interest may fall to be calculated) commencing on or after the Reset Date on the basis of the actual number of days elapsed in the relevant period divided by 360.

If payment of principal in respect of the Notes is not made on the Maturity Date by virtue of the provisions of Condition 5(c), interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Deferred Maturity Date or such earlier date on which payment of such principal is made.

**(b) Interest Accrual**

The Notes will cease to bear interest from (and including) the due date for redemption thereof (which shall be the Maturity Date (or, as the case may be, the Deferred Maturity Date) or any earlier date for redemption of the Notes pursuant to Condition 6(b), (c) or (e)) unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

**(c) Fixed Rate of Interest**

For the Fixed Rate Interest Period the Notes bear interest at the rate of 5.25 per cent. per annum (the "Fixed Interest Rate").

**(d) Floating Rate of Interest**

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

- (i) On each Interest Determination Date the Agent Bank will determine the offered rate (expressed as a rate per annum) for three-month euro deposits as at 11.00 a.m. (Central European time) on such Interest Determination Date, as displayed on the display designated as page "248" on the Moneyline Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Rate of Interest for the Interest Period immediately succeeding the Interest Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.
  - (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Euro-zone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter bank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Rate of Interest for the Interest Period immediately succeeding the relevant Interest Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
  - (iii) If on any Interest Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Rate of Interest for the Interest Period immediately succeeding such Interest Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading European banks for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Rate of Interest for such Interest Period shall be either (1) the Floating Rate of Interest in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 4(d) shall have applied or (2) if none, 5.25 per cent. per annum.
- (e) Determination of Floating Rate of Interest and Calculation of Coupon Amounts**
- The Agent Bank will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Floating Rate of Interest in respect of the relevant Interest Period and calculate the amount of interest payable in respect of a Note of each denomination on the Interest Payment

Date for the relevant Interest Period (the "Coupon Amounts") by applying the Floating Rate of Interest for such Interest Period to the principal amount of a Note of each denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and, if necessary, rounding the resultant figure to the nearest €0.01 (€0.005 being rounded upwards).

**(f) Publication of Floating Rate of Interest and Coupon Amounts**

The Issuer shall cause notice of the Floating Rate of Interest determined in accordance with this Condition 4 in respect of each relevant Interest Period and of the Coupon Amounts and the relevant Interest Payment Date to be given to the Trustee, the Paying Agents, any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders as soon as practicable after its determination but in any event not later than the fourth business day thereafter. As used in this paragraph (f), "business day" means a day (not being a Saturday or Sunday) on which banks are open for business in London.

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

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

The Trustee shall, if the Agent Bank does not at any relevant time for any reason determine the Floating Rate of Interest on the Notes in accordance with this Condition 4, determine the Floating Rate of Interest in respect of the relevant Interest Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 4), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

**(h) Agent Bank**

So long as any Notes remain outstanding the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to paragraph (g) above) fails duly to determine the Floating Rate of Interest in respect of any Interest Period as provided in paragraph (d) above, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 whether by the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

**5. Deferral of Payments**

**(a) Optional Deferral of Interest**

The Issuer may, on any Optional Interest Payment Date, defer payment of interest on the Notes which would otherwise be payable on such date.

The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 5(a) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes. The Issuer shall notify the Trustee and the Noteholders as soon as practicable (and in any event within 10 business days) after any Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made (the "Deferral Notice"). The Issuer may defer paying interest on each

Optional Interest Payment Date until the Maturity Date (or, if applicable, any Deferred Maturity Date) or any earlier date on which the Notes are redeemed in full.

**(b) Arrears of Interest**

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, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute "Arrears of Interest". Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Condition 5(a), will automatically become immediately due and payable (irrespective of any prior written notice to, or absence of objection from, the FSA) upon the earliest of the following (the "Resumption Date"):

- (i) the date on which the Issuer declares a dividend or other distribution or payment on any class of its share capital or pays interest on any other junior or *pari passu* ranking securities;
- (ii) the date on which the Issuer notifies the Trustee that no Regulatory Intervention that has occurred is or will be continuing on such date unless the Issuer is otherwise entitled to defer at such time by virtue of Condition 5(a);
- (iii) the date on which the Issuer commences and does not abandon a public offer to redeem, purchase or acquire any of its ordinary shares or other junior or *pari passu* ranking securities;
- (iv) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders); and
- (v) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 8(a).

**(c) Deferral of Principal**

The Issuer will be entitled to defer payment of principal on the Maturity Date if, on the Maturity Date, the Issuer or any one of the EEA Regulated Subsidiaries has failed to meet its applicable minimum or notional solvency margins or capital adequacy ratios (or is reasonably likely to so fail immediately after such payments) as at the date of the most recent audited accounts of the Issuer, or as the case may be, the relevant EEA Regulated Subsidiary or, if later, the date those margins or levels were most recently tested for regulatory purposes or, if later, any date selected by the Board of Directors (or other management body) of the Issuer, or as the case may be, the relevant EEA Regulated Subsidiary.

If payment of principal in respect of the Notes on the Maturity Date is deferred, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount on the Deferred Maturity Date.

**(d) No Default**

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made by virtue of Condition 5(a) or (c) shall not constitute a default for any purpose (including, but without limitation, Condition 8(a)) on the part of the Issuer. Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

**6. Redemption and Purchase**

**(a) Final Redemption**

Subject to Condition 5(c) and Condition 6(d), unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 October 2023 (the "Maturity Date").

**(b) Redemption for taxation reasons**

If the Issuer satisfies the Trustee at any time immediately before the giving of the notice referred to below that 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 9; or
- (ii) on the next Interest Payment Date the payment of interest in respect of the Notes would be treated, for reasons outside the control of the Issuer, as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced),

(each such event, a "Tax Event") the Issuer may, at its option, having given at least 6 months' prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes, at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest at any time prior to the Reset Date and thereafter only on an Interest Payment Date.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(b), on or prior to the expiration of the notice referred to in (iii) below, the Issuer may at its option, redeem all, but not some only, of the Notes on the Reset Date or any Interest Payment Date thereafter at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest. In order to exercise its option, the Issuer must first have:

- (i) given at least six months' prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given); and
- (ii) given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable).

**(d) Deferred Redemption**

If payment of principal in respect of the Notes on the Maturity Date is deferred pursuant to Condition 5(c), the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount on the Deferred Maturity Date.

**(e) Optional Redemption due to Capital Disqualification Event**

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having given at least six months' prior written notice to, and received no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as such notice is required to be given) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem at any time prior to the Reset Date and thereafter only on an Interest Payment Date all, but not some only, of the Notes at their Special Redemption Price if the date of redemption falls on or prior to the Reset Date and at their principal amount if the date of redemption falls thereafter together, in each case, with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

A "Capital Disqualification Event" is deemed to have occurred if solvency calculations in respect of the Issuer are required by any Relevant Supervisory Authority, including, without limitation, pursuant to the Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the EEA implementing the Directive including the IPRU (INS) (the "Relevant Rules") and:

- (i) under the Directive or the Relevant Rules or the application or official interpretation thereof, at the time, the Notes would not be capable of counting as cover for the notional minimum or notional margin of solvency required of the Issuer under the Directive or the Relevant Rules; or
- (ii) as a result of any change to the Directive or the Relevant Rules or the application or official interpretation thereof any Notes would not be capable of counting as cover for the minimum or notional margin of solvency of the Issuer under the Directive or the Relevant Rules.

(f) **Purchases**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) for the time being may, having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given) and at any time, purchase Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto. If purchases are made by tender, tenders must be available to all Noteholders alike.

(g) **Cancellation**

All Notes redeemed will be cancelled forthwith and such Notes may not be reissued or resold. Notes purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled and accordingly may not be held, reissued or resold.

7. **Payments**

(a) **Method of Payment**

Payments of principal and interest in respect of the Notes will be made against presentation and surrender of Notes or, in the case of payments of interest due on an Interest Payment Date or a Redemption Date, against surrender of the relevant Coupons at the specified office of any of the Paying Agents. Such payments will be made (subject to paragraph (b) below), at the option of the holder by euro cheque drawn on, or by transfer to a euro account maintained by the holder with, a bank in a city in which banks have access to the TARGET System, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 9.

(b) **Effect of Redemption on unmatured Coupons and unexchanged Talons**

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

(c) **Surrender of Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or at the specified office of the Paying Agent in London in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

(d) **Payment on business days**

If the date for payment of any amount of principal or interest in respect of any Note or Coupon or any later date on which any Note or Coupon is presented for payment is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7(d), "business day" means any day (not being a Saturday or Sunday) on which banks are open for business in the relevant place of payment and which is a TARGET Business Day.

(e) **Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will (i) at all times maintain a Paying Agent having a specified office in London and (ii) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 9 upon presentation of the Note or Coupon, as the case may be, for payment in the United Kingdom but for the application of Condition 9(iv), maintain a Paying Agent having a specified office in a major city in a

Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to any European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and which is approved by the Trustee, PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State to so withhold or deduct tax.

**(f) Notice**

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 14.

**(g) Definitive Notes**

If definitive Notes are required to be issued, the amount of interest in respect of such Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01.

**8. Events of Default and Enforcement**

**(a) Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to paragraph (d) below), give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their principal amount together with accrued interest thereon and all Arrears of Interest if:

- (i) subject to the deferral provisions of Condition 5, default is made for a period of 10 days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

**(b) Proceedings for Winding-up**

If the Notes become due and repayable (whether pursuant to paragraph (a) above or Condition 6), and are not paid when so due and repayable, the Trustee may at its discretion institute proceedings for the winding-up of the Issuer but may take no further or other action to enforce the obligations of the Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes. No payment in respect of the Notes may be made by the Issuer pursuant to paragraph (a) above, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer, unless the Issuer has given prior written notice to, and received no objection from, the FSA.

**(c) Enforcement**

Without prejudice to paragraph (a) or (b) above, 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 obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**(d) Entitlement of the Trustee**

The Trustee shall not be bound to take any of the actions referred to in paragraph (a), (b) or (c) above 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 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 to its satisfaction.

**(e) Right of Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against 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. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

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

No remedy against the Issuer, other than as referred to in this Condition 8, 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 or under the Trust Deed.

**9. Taxation**

All payments by the Issuer in respect of the Notes (including Arrears of Interest) will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied, collected, withheld or assessed, by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Noteholders or, as the case may be, Couponholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note or Coupon:

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

References herein and in the Trust Deed to principal and/or interest shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed and references herein, and in the Trust Deed, to interest shall, where the context requires, include Arrears of Interest.

**10. Prescription**

Notes and Coupons (which, for this purpose, shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto.

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

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

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented, except any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify the dates on which interest (including Arrears of Interest) and/or principal is payable in respect of the Notes or the circumstances in which the payment of interest (including Arrears of Interest) and/or principal may be deferred, (ii) to reduce the Margin, to reduce or cancel the principal amount of or interest (including Arrears of Interest) on, or to vary the method of calculating the rate of interest in accordance with Condition 4 on, the Notes, (iii) to reduce the Fixed Interest Rate, (iv) to change the Reset Date, (v) to change the currency of payments on the Notes, (vi) to modify the provisions of Condition 2, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution in which case, the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. A resolution in writing signed by one or more Noteholders holding or representing not less than 75 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed.

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

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

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, if any, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, if any, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the Issuer's successor in business is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the Issuer's successor in business) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;

- (iv) without prejudice to the rights of reliance of the Trustee under (iii) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of (i)) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, if any, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, if any, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "Substituted Territory") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "Issuer's Territory"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to the Issuer's Territory, of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, if any, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 9 and/or undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **12. Replacement of the Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 14) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before any replacement Notes, Coupons or Talons will be issued.

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

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

## **14. Notices**

All notices regarding the Notes will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as aforesaid, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall approve.

#### **15. Further Issues**

The Issuer is at liberty from time to time (but subject always to the terms and conditions of the Trust Deed) without the consent of the Noteholders or the Couponholders to create and issue further bonds, notes or debentures (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, subordination, interest, redemption and otherwise as the Issuer may determine at the time of their issue. Any further bonds, notes or debentures which are to form a single series with the outstanding bonds, notes or debentures of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds, notes or debentures may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

#### **16. Contracts (Rights of Third Parties) Act 1999**

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

#### **17. Governing Law**

The Trust Deed, the Notes, Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Temporary Global Note and Permanent Global Note contains provisions which apply to the Notes of the relevant Tranche while they are in global form, some of which modify the effect of the terms and conditions of such Notes as set out in this document. The following is a summary of certain of those provisions (references to the Notes, the Noteholders, the Global Notes, the Temporary Global Note, the Permanent Global Note and the Terms and Conditions being to the Notes, the Noteholders, the Global Notes, the Temporary Global Note, the Permanent Global Note and the Terms and Conditions, respectively, of each Tranche):

### 1 Exchange

Each of the Temporary Global Notes and the Permanent Global Notes is exchangeable as described under the "Terms and Conditions of the Sterling Undated Notes", "Terms and Conditions of the Euro Undated Notes" and the "Terms and Conditions of the Dated Notes" set out in this Offering Circular.

### 2 Payments

No payment will be made on any Temporary Global Note unless exchange for an interest in the relevant Permanent Global Note is improperly withheld or refused. Payments of interest on a Temporary Global Note will only be made upon certification as to non-U.S. beneficial ownership. Payments of principal and interest in respect of Notes represented by a Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of such Notes. Condition 7(b) and (c) of the Dated Notes, the Sterling Undated Notes and the Euro Undated Notes will apply to definitive Notes only.

### 3 Notices

So long as any Tranche of Notes is represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the applicable Noteholders 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 relevant Conditions.

### 4 Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a 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 including any arrears of interest) from the Relevant Date (as defined in Condition 3 of each Tranche of Notes).

### 5 Purchase and Cancellation

Cancellation of any Note required by the relevant Conditions to be cancelled following its purchase will be effected by a reduction in the principal amount of the relevant Global Note.

### 6 Trustee's Powers

In considering the interests of Noteholders while a Permanent Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlement as against the clearing system or its operator to amounts of principal in respect of a Permanent Global Note and may consider such interests as if such accountholders were the holder of such Permanent Global Note.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to approximately £787,576,000 in respect of the Sterling Undated Notes, €493,355,000 in respect of the Euro Undated Notes plus €641,478,500 in respect of the Dated Notes, will be used to fund the general business and commercial activities of the Group.

## DESCRIPTION OF THE GROUP

### Overview

#### The Issuer

The Issuer is the holding company for one of the world's leading global insurance groups. The Aviva group of companies (the "Group") is the world's seventh-largest insurance group<sup>1</sup> and one of the top-five life companies in Europe<sup>1</sup>. Its main activities are long-term savings, fund management and general insurance. The Group is the United Kingdom's largest insurer<sup>1</sup>, with a share of the UK life market of around 12%<sup>2</sup> and around 14% of the general insurance market<sup>1</sup>.

The table below shows the analysis of operating profit from continuing operations<sup>3</sup> of the Group's major operations for the financial years ended 31 December 2001 and 2002 and the six-month period ended 30 June 2003:

#### Achieved operating profit before tax

	For the six months ended 30 June 2003	For the year ended 31 December 2002	For the year ended 31 December 2001**
	£m	£m	£m
<b>Achieved operating profit before tax – continuing operations<sup>3</sup></b>			
Life achieved operating profit .....	705	1,524	1,665
Health .....	27	61	70
Fund management .....	10	5	29
General insurance .....	387	881	876
Non-insurance operations* .....	(47)	(99)	(92)
Corporate costs .....	(56)	(218)	(187)
Unallocated interest charges			
– internal .....	(104)	(228)	(247)
– external .....	(94)	(206)	(179)
<b>Achieved operating profit before tax – continuing operations<sup>3 4</sup> .....</b>	<b>828</b>	<b>1,720</b>	<b>1,935</b>
<b>Modified statutory basis operating profit before tax – continuing operations<sup>3 5</sup> .....</b>	<b>638</b>	<b>1,218</b>	<b>1,464</b>

\* including wealth management results

\*\* restated for the effect of Financial Reporting Standard 19

In reporting the Group's headline operating profit, life profits have been included using the achieved profit basis. The basis used for reporting achieved operating profit is consistent with the draft guidance circulated by the Association of British Insurers. The Group has focused on the achieved profit basis, as the Group believes that life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. The achieved profit basis is used throughout the Group, and by many in the investment community, to assess performance. The modified statutory basis, which is used in the statutory financial statements, is also identified in the headline figures. Modified statutory operating profit before tax for the six months to 30 June 2003 amounted to £638 million (year ended 31 December 2002: £1,218 million; year ended 31 December 2001: £1,464 million).

The Group was formed by the merger of CGU plc (renamed CGNU plc on completion of the merger, and subsequently renamed Aviva plc on 1 July 2002) and Norwich Union plc on 30 May 2000. CGU plc and Norwich Union plc were both major insurers operating successfully in the long-term savings and general insurance markets, and had corporate histories of considerable duration. CGU plc was formed in 1998 from the merger of

1 Based on gross written premiums from continuing operations for the year ended 31 December 2002.

2 Based on APE (as defined on page 53) for the six months ended 30 June 2003.

3 Continuing operations represent the results of those businesses which form part of the ongoing operations of the Group and do not include the results of the Australia and New Zealand general insurance operations and US general insurance operation which were disposed of in December 2002 and June 2001 respectively.

4 Including life achieved operating profit and stated before tax, amortisation of goodwill and exceptional items.

5 Before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.

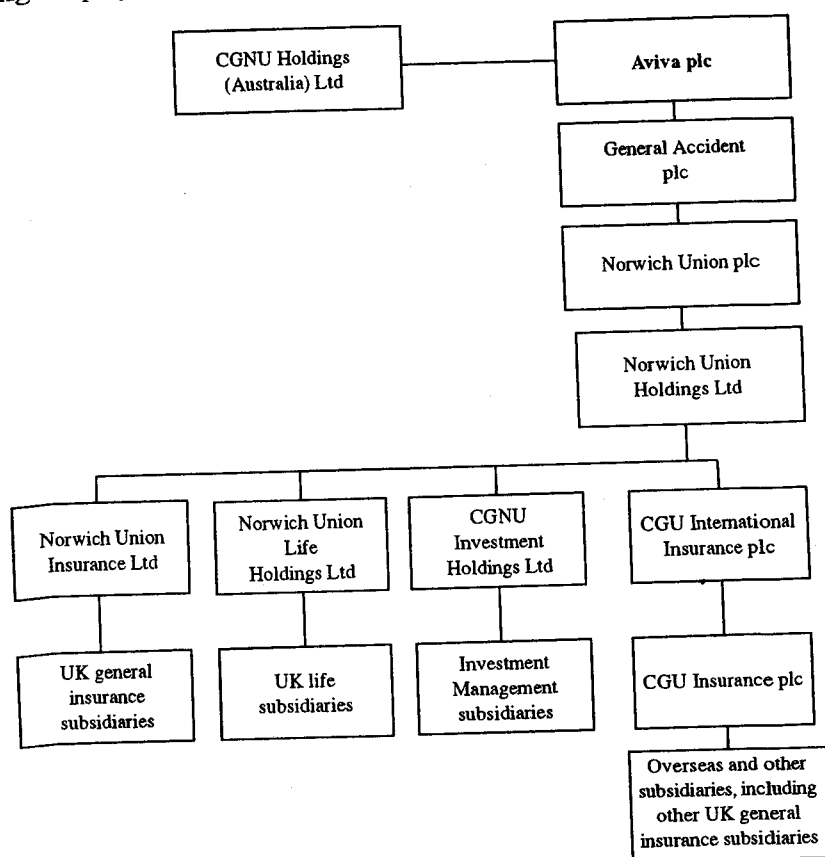
Commercial Union plc and General Accident plc. Commercial Union was established in 1861, General Accident was founded in 1885 and Norwich Union was founded in 1797.

The Issuer is incorporated in England as a public limited company, registered number 2468686. The authorised share capital of the Issuer is £950 million divided into 3,000 million ordinary shares of 25p each, of which 2,257,040,425 had been issued at 30 June 2003 and are fully paid, and 200 million irredeemable preference shares of £1 each, all of which have been issued and are fully paid.

The registered office of the Issuer is St Helen's, 1 Undershaft, London EC3P 3DQ. The memorandum and articles of association form the constitutional documents of the Issuer.

### Organisational structure

The following chart shows at 30 June 2003, in simplified form, the organisational structure of the Group. The Issuer is the holding company of the Group:



### Group aims and strategy

The aim of the Group is to become a leading European-based financial services provider, with a focus on long-term savings as its engine of growth. The Group is committed to developing a world-class fund management business and to raising the quality of its general insurance earnings. To generate real value for its shareholders, the Group concentrates on markets where it believes it can achieve a leading position.

In summary the Group's strategy is:

- to grow its long-term savings business aggressively and profitably
- to build a world-class fund management business
- to take a focused approach to general insurance, with disciplined underwriting and efficient claims-handling
- to build top-five positions in key markets

- to withdraw from lines of business or markets that do not offer the potential for market-leading positions or superior returns

## Brand

In February 2002, the Group announced its intention to rebrand itself and change the name of the parent company to Aviva plc. CGNU plc changed its name on 1 July 2002. The task of rebranding the Group's worldwide trading operations is well underway and has been completed across many of its Continental European and international businesses. The main exceptions are Norwich Union in the United Kingdom, Hibernian in Ireland, Delta Lloyd in the Netherlands and CU Polska in Poland, which are being retained due to the strength of these brands in their local markets.

## Business of the Group

### Overview

The Group is predominantly a life assurance provider and its activities are long-term savings, fund management and general insurance. It had worldwide premium and investment sales of £28 billion<sup>6</sup> from continuing operations<sup>3</sup> for the year ended 31 December 2002 and £208 billion in assets under management as at 31 December 2002. At the end of 2002, the Group had 59,000 employees and some 25 million customers worldwide.

The main Group operations are summarised below.

### 1. Long-term savings operations

Long-term savings business is the focus of the Group and its principal source of growth, with life and pension premiums and investment sales accounting for 69% of Group revenues by net written premium for the year ended 31 December 2002. The Group reported total life and pensions net written premiums and retail investment sales of £19.2 billion for the year ended 31 December 2002, which comprised £18.2 billion of long-term business premiums and £1 billion of retail investment sales. Life and pensions new business sales were £13.6 billion and new business contribution (before the effect of solvency margin) was £578 million for the year to 31 December 2002.

The table below shows a geographical analysis of the net premium written, including sales of investment products, by each long-term savings business unit for the years ended 31 December 2002 and 2001 and for the six-month period to 30 June 2003:

#### Net premium written and investment sales

	For the six months ended 30 June 2003	For the year ended 31 December 2002	For the year ended 31 December 2001
	£m	£m	£m
UK .....	5,288	9,655	10,090
France .....	1,141	2,081	2,185
Ireland .....	217	469	658
Italy .....	913	1,382	1,116
Netherlands (including Belgium and Luxembourg) .....	1,085	1,419	1,375
Poland .....	375	746	728
Spain .....	834	1,489	1,034
Other Europe .....	279	618	719
International .....	636	1,341	1,160
	<u>10,768</u>	<u>19,200</u>	<u>19,065</u>

<sup>3</sup> ibid p.50

<sup>6</sup> Based on net written premiums.

The table below presents the life achieved operating profit by each business unit for the years ended 31 December 2002 and 2001 and for the six-month period to 30 June 2003:

#### Life achieved operating profit

	For the six months ended 30 June 2003	For the year ended 31 December 2002	For the year ended 31 December 2001
	£m	£m	£m
UK .....	339	699	850
France .....	90	228	227
Ireland .....	31	75	79
Italy .....	33	52	55
Netherlands (including Belgium and Luxembourg) .....	69	200	221
Poland .....	40	111	99
Spain .....	71	83	80
Other Europe .....	2	(2)	18
International .....	30	78	36
	<u>705</u>	<u>1,524</u>	<u>1,665</u>

#### Market position

The Group, operating under the Norwich Union brand, is the leading long-term savings provider in the UK, with a market share of around 12% for the six months ended 30 June 2003 (based on annual premium equivalent<sup>7</sup>). Long-term savings products in the UK represented 35% of the Group's total net written premiums for the year ended 31 December 2002. Long-term savings products from the Group's Continental European businesses represented 29% of total Group net written premiums as at 31 December 2002, and reflected the ongoing success of its European bancassurance channels. The Group is now the number one<sup>8</sup> life provider in Spain and has top-five<sup>9</sup> positions in the Netherlands, Ireland, Poland, Singapore, and Turkey and has strong market positions in France, Italy and Australia. UK and Continental European operations contributed 92% of the Group's worldwide long-term new business sales in the year to 31 December 2002.

#### Products

The Group's long-term savings business offers a broad range of life assurance and asset accumulation products, including, *inter alia*, pensions, savings products and unit trusts. For individual customers, the Group offers regular premium life products such as whole life, term assurance and mortgage protection policies. The individual asset accumulation products include, *inter alia*, life investment bonds, personal pensions, mortgage endowment products and annuities. In the group market, the products offered include corporate pensions and group personal pensions.

#### Distribution

The Group's life businesses sell their long-term savings products through a number of distribution channels, including brokers and other intermediaries, bancassurance and corporate partnerships as well as direct to customers. The Group has a leading position in European bancassurance, with worldwide new business sales through its bancassurance channels increasing 50% in the year to 31 December 2002. The Group continues to expand its bancassurance distribution capability through growth of its existing agreements and new bancassurance agreements commencing in 2003 in the Netherlands, Italy and Spain.

#### 2. Fund Management

The fund management business invests both shareholders' and policyholders' funds and provides investment management for institutional pension fund mandates, as well as developing and selling retail investment products. Its main operations are in the UK, France, the Netherlands and Australia.

7 Annual premium equivalent ("APE") is a standard industry measure which represents new regular long-term savings premiums and 10% of new single long-term savings premiums.

8 Based on gross written premiums for the three months ended 31 March 2003.

9 Determined as follows: Netherlands: Gross written premiums for the year ended 31 December 2002; Ireland: APE for the six months ended 30 June 2003; Poland: Gross written premiums for the three months ended 31 March 2003; Singapore: APE for the nine months ended 30 September 2002; Turkey: Gross written premiums for the three months ended 31 March 2003.

### Market position

With worldwide assets under management totalling some £208 billion as at 31 December 2002 and around £229 billion at 30 June 2003, the Group is one of the top-ten European fund managers and the third largest UK-based fund management business.<sup>10</sup>

### Brand and products

The Group's business operating in the UK under the Morley Fund Management brand manages equities, fixed income and property investments on behalf of institutional, pension fund and retail clients. In addition, Morley has also developed a series of Socially Responsible Investment (SRI) propositions which it believes will become an increasingly important sector of the market.

In France, the Group's fund management business operates as Aviva Gestion d'Actifs (formerly Victoire Asset Management).

The Group's Dutch fund managers operate under the Delta Lloyd and Ohra brands, and in Australia the fund management business operates under the Portfolio Partners brand. The Group also offers Navigator, a master trust investment platform which offers customers a series of options allowing them to build tailored investment portfolios drawing from a wide range of fund managers. Navigator is well-established in Australia and has recently been launched in Singapore.

### 3. General insurance and health insurance

The strategy of the Group's general insurance business is to focus primarily on personal lines (typically home, motor and travel cover) and the insurance needs of small businesses. The Group aims to lead in its chosen markets and to combine value for money with excellent customer service. General insurance and health insurance together accounted for 31% of the Group result by net written premium for the year ended 31 December 2002. In the year ended 31 December 2002, the Group reported general and health insurance net written premiums of £8,733 million and operating profit of £942 million from continuing operations<sup>2</sup>.

The table below shows a geographical analysis of the net premium written by each business unit, for both general insurance and health insurance, for the years ended 31 December 2002 and 2001 and for the six-month period to 30 June 2003:

#### Net premium written – continuing operations<sup>3</sup>

	For the six months ended 30 June 2003	For the year ended 31 December 2002	For the year ended 31 December 2001
	£m	£m	£m
UK .....	2,632	5,004	5,019
France .....	376	585	800
Ireland .....	319	377	456
Netherlands .....	734	969	886
Other Europe .....	116	408	499
Canada .....	565	1,009	878
International .....	182	381	153
	4,924	8,733	8,691

In line with the Group's strategy, it has actively withdrawn from lines of business and markets which do not offer the potential for market leading positions or superior returns. During 2002, the Group completed the disposal of the following general insurance businesses:

- CGU Courtage SA (profit on disposal of £6 million);
- Royal Saint Georges Banque (profit on disposal of £1 million);
- Plus Ultra Compania Anonima de Seguros y Reaseguros (profit on disposal of £94 million);

<sup>10</sup> Based on assets under management as at 31 December 2001.

<sup>3</sup> *ibid* p.50

- The Australian and New Zealand general insurance businesses held by CGU Australia Limited and Belves Investments Limited (loss on disposal of £66 million); and
- Sabre Insurance Company Limited (loss on disposal of £20 million).

**Results for years ended 31 December 2002 and 2001 and for six months ended 30 June 2003**

The table below presents the operating profit by each business unit, for both general insurance and health insurance, for the years ended 31 December 2002 and 2001 and for the six-month period to 30 June 2003:

Operating profit – continuing operations <sup>3</sup>	For the six months ended 30 June 2003	For the year ended 31 December	
	2003	2002	2001
	£m	£m	£m
UK .....	317	620	598
France .....	18	57	67
Ireland .....	43	44	48
Netherlands .....	32	55	72
Other Europe .....	16	49	41
Canada .....	(33)	80	72
International .....	21	37	48
	<u>414</u>	<u>942</u>	<u>946</u>

**Market position**

The Group is the leading general insurer<sup>11</sup> in the UK and Ireland and has top-five<sup>11</sup> positions in Canada, the Netherlands and Singapore. The Group has additional general insurance operations in France and in Asia including Malaysia, Thailand and Hong Kong.

Operating in the UK under the Norwich Union brand, more than half of the Group's total general insurance and health insurance business was written in the UK in the year ended 31 December 2002.

**Classes of business and distribution**

The Group's general insurance business concentrates on leadership in personal lines and the needs of small businesses by providing motor, household, travel, general liability and property coverage and it has moved away from larger commercial risks. The Group continues to manage its portfolio by adopting a disciplined underwriting approach through a rigorous assessment of the risks it accepts and taking rating action where appropriate. Part of the Group's commitment to exceeding customer expectations is to provide its products through a variety of distribution channels, whether via the internet, telephone, through a bank or building society or a high street broker.

<sup>3</sup> ibid p.50

<sup>11</sup> Determined as follows: UK, Ireland, Netherlands and Canada: Gross written premiums for the year ended 31 December 2002; Singapore: Net written premiums for the year ended 31 December 2001.

## Financial Results

The table below presents the profit after tax of the Group for the years ended 31 December 2002 and 2001 and the interim results for the six-month period to 30 June 2003:

### Profit after tax<sup>3</sup>

	For the six months ended 30 June 2003	For the year ended 31 December 2002	For the year ended 31 December 2001*
	£m	£m	£m
Achieved operating profit <sup>4</sup> .....	828	1,720	1,935
Adjustment to modified statutory basis for life business .....	(190)	(502)	(471)
Modified statutory basis operating profit – continuing operations <sup>5</sup> ...	638	1,218	1,464
Discontinued businesses .....	–	78	48
Other items .....	(92)	(274)	(182)
Exceptional items .....	–	–	(59)
Operating profit before tax .....	546	1,022	1,271
Short term fluctuation in investment returns .....	250	(1,243)	(988)
Change in equalisation provision .....	(28)	(57)	(56)
(Loss) / profit on sale of subsidiary undertakings .....	(26)	(4)	287
Profit/ (loss) on ordinary activities before tax .....	742	(282)	514
Tax .....	(211)	(206)	(198)
Profit / (loss) on ordinary activities after tax .....	531	(488)	316

\* Restated for the effect of Financial Reporting Standard 19 ('FRS 19')

FRS 19 was effective from the year ended 31 December 2002. The principal impact of the change from the accounting policy applied under Statement of Standard Accounting Practice ('SSAP') 15 is to provide additional deferred tax on unrealised appreciation of investments. The additional deferred tax provision results in a reduction in the fund for future appropriations for with-profit life business and a reduction in profit and loss account reserve for general insurance business. In the case of non-profit business the establishment of an additional deferred tax provision has a neutral effect on shareholders' funds. This is because the reduction in the profit and loss account reserve is compensated by a corresponding increase in the revaluation reserve representing additional value of in-force long-term business. The Group has chosen to adopt the discounting option for deferred tax purposes.

The effect of implementing FRS 19 was a decrease of £226 million in the tax charge in the profit and loss account for the year ended 31 December 2001.

Exceptional items in 2001 include £49 million in respect of integration incentive schemes which relate to the integration of the former CGU and Norwich Union businesses, the benefits of which are payable to certain staff and senior management. A further charge of £10 million relates to the costs of integrating the acquired businesses of Fortis Australia Limited and Aviva Limited (formerly known as The Insurance Corporation of Singapore). Other items of £92 million in the six months ended 30 June 2003 include a charge of £52 million relating to the amortisation of goodwill on long-term and non-long-term business and £40 million for the amortisation of acquired additional value of in-force long-term business. Other items of £274 million in the year ended 31 December 2002 include a charge of £135 million relating to the amortisation of goodwill on long-term and non-long-term business and £139 million for the amortisation of acquired additional value of in-force long-term business. Other items of £182 million in the year ended 31 December 2001 include a charge of £87 million relating to the amortisation of goodwill on long-term and non-long-term business, £64 million for the amortisation of acquired additional value of in-force long-term business and £31 million for the Financial Services Compensation Scheme levy. The short-term fluctuations reflect the recent volatility in investment markets and the resulting differences in the actual investment return compared to the Group's long-term investment assumptions.

3 ibid p.50

4 ibid p.50

5 ibid p.50



## Recent developments

### New agreements

#### *ABN AMRO*

Delta Lloyd, the Group's top-five<sup>12</sup> life and pensions business in the Netherlands, completed its agreement for a new bancassurance arrangement with ABN AMRO in May 2003. Under the terms of the agreement, the Group has included in its interim results ABN AMRO's life and pension new business sales with effect from 1 January 2003.

#### *Caja de Granada*

The Group announced in September 2002 a new bancassurance partnership with Spanish savings bank, Caja de Granada. This new partnership will enhance Aviva's strong position in the Spanish long-term savings market, where Aviva is the largest<sup>8</sup> life provider, and sales are expected to commence through this new channel in the third quarter of 2003.

#### *India and China*

Sales through the Group's ventures in India and China commenced recently and are developing encouragingly. In India, the Group has established a joint venture partnership with Dabur Group and a bancassurance partnership with Canara Bank, India's second largest banks in terms of net profit, and has a direct sales force. A total of 12 branches were open by the end of the second quarter, with the most recent branches opening in Ahmedabad, Jaipur and Guwahati. In China, sales of traditional risk and savings products through the Group's joint-venture life business, Aviva COFCO, commenced as planned on 1 January 2003.

#### *Agreement with Médéric*

Following the announcement in July 2002 that the Group was in discussions to establish a partnership, this agreement was finalised at the end of 2002. Under the terms of an agreement between Aviva France and Médéric to establish a partnership, Aviva France transferred its group protection business to Médéric with effect from 1 January 2003. Sales of a range of individual life products through the venture with Médéric are expected to commence in the second half of 2003.

### *Operational initiatives*

#### *Operations in India*

In February 2003, the Group announced plans to build a new call centre and develop a claims-processing operation in India for its UK general insurance business. The new operation will employ around 1,000 people by the end of 2003 and will form part of Norwich Union's general insurance network of call and claims centres. This initiative will give the Group's UK general insurance business extra flexibility and capacity, while providing further scope to enhance efficiency and deliver a high level of service to customers.

#### *Cost savings*

The Group has taken action in the first half of 2003 to improve operational efficiency and to ensure that costs are appropriately aligned to revenues. Hurdle rates have been raised on new developments and internal projects, and there was a reduction of around 700 jobs in the UK in the first half of 2003, resulting in a net benefit of £30 million to the profit and loss account in the period. There was incremental development spending of £10 million in the first half of 2003 in respect of the Group's global finance transformation programme ("GFTP") and the development of the Group's new call centre and claims-processing operation in India. The Group estimates that the net benefit to the profit and loss account for the full year 2003 will be approximately £60 million after bearing one-off costs of £30 million associated with the 900 job reductions in its UK life and general insurance businesses announced in July 2003 and after incremental development spending of £50 million in the full year. The full realisation of the actions taken so far in 2003 is expected to deliver an estimated benefit to the profit and loss account of £175 million in 2004. This does not take into account the impact of inflation, future growth in the business and further incremental spending of £40 million on GFTP. Improving efficiency will remain a focus of management.

<sup>12</sup> Based on gross written premiums to 31 December 2002.

<sup>8</sup> *ibid* p.53

## Interim results of the Group

On 31 July 2003, the Group announced its unaudited interim results for the six months to 30 June 2003, summarised as follows:

	Six months ended 30 June	
	2003	2002
<b>Consolidated profit and loss account data:</b>		
Net premium written from continuing operations <sup>3</sup> – Long-term savings, including retail investment sales .....	£10,768m	£9,558m
Net premium written from continuing operations <sup>3</sup> – General and health insurance ..	£4,924m	£4,602m
Group achieved operating profit – from continuing operations <sup>3</sup> .....	£828m	£955m
New business margins <sup>13</sup> .....	24.5%	24.0%
General insurance combined operating ratio – continuing operations <sup>3</sup> .....	101%	101%
<b>Consolidated balance sheet data:</b>		
Shareholders' funds .....	£10,419m	£9,669m*
Net asset value per ordinary share <sup>†</sup> .....	468p	433p*
Interim dividend per ordinary share .....	9.0p	8.75p

\* As at 31 December 2002

† Based on equity shareholder funds after adding back the claims equalisation provision

In February 2002, the Group re-based the 2002 full year dividend to 23.0 pence net per share. The Group believes this strikes the appropriate balance between dividend payments and the retention of capital to take advantage of profitable growth opportunities. From this new base, the Group expects to adopt a progressive policy of growing dividends by approximately five per cent per annum, whilst looking to sustain a target cover in a range of 1.5 to 2.0 times operating earnings after tax, measured on a modified statutory solvency basis. On 31 July 2003, the Board declared an interim dividend of 9.0 pence net per share, an increase of 2.9% on the 2002 interim dividend.

Long-term savings net written premiums increased by £1,210 million to £10,768 million in the first six months of 2003, compared to the six month period ended 30 June 2002. This increase reflected the benefits of a significant volume of institutional business won by Morley Pooled Pensions along with the growth in new business sales through the Group's bancassurance ventures, particularly in Spain and Italy. Offsetting this was a fall in new business volumes in the UK, reflecting the continuing difficult market conditions.

New business life and pensions sales continued to grow with a modest increase over the prior year to £6,931 million. Sales in the UK, while lower than half year 2002, have stabilised over the last four quarters and the half year results continue this trend. Life and pension new business sales in Continental Europe increased significantly, up 26%<sup>14</sup>, and reflected the continuing success of the Group's European bancassurance arrangements. International life and pension new business sales increased 21%<sup>14</sup>, driven by strong half-year sales in the US, although the rate of growth in sales has started to slow. Investment new business sales continue to be slow, reflecting current consumer caution towards equity-related products, although the Group expects these to recover with a return of confidence to the market. New business margins<sup>13</sup> were 24.5% overall for the Group, in comparison to 24.4% for the year ended 31 December 2002.

General insurance net written premiums from continuing operations, including health premiums, increased by £322 million to £4,924 million in the first six months of 2003, as the Group continues to follow its strategy of focusing on personal lines and small commercial businesses and maintaining strong rating action.

The Group benefited from a favourable rating environment and better-than-expected weather-related claims experience in its major European businesses in the first half of 2003. General insurance operating profit from continuing operations was £387 million (2002: £456 million), however this included the impact of a fall in the longer-term investment return, £65 million lower at £458 million, and the one-off impact of £70 million relating to the strengthening of reserves in Pilot Insurance Company, part of the Group's Canadian general insurance business. The Group's Combined Operating Ratio ("COR") for the half year was maintained at 101%, despite this impact. Excluding the impact of Pilot, the Group's underlying COR was 99%. COR represents the level of claims and expenses as a percentage of net premiums and hence provides a measure of the underlying underwriting profitability.

<sup>3</sup> ibid p.50

<sup>13</sup> A UK industry standard calculation based on new business contribution (before the effect of solvency margin) divided by sales measured on an annual premium equivalent basis.

<sup>14</sup> Growth rates calculated on a local currency basis.

Equity shareholders' funds at 30 June 2003 of £10,219 million showed an increase of £750 million compared to the full year 2002. This reflected an improvement in investment returns and the benefit of exchange movements and was after the cost of the interim dividend of £203 million.

As at 30 June 2003, capital employed in the Group's operations had increased to £18.5 billion (31 December 2002: £17.3 billion), reflecting retained profits for the half year and the beneficial impact of movements in the Euro exchange rate. In addition, there was an increase in external debt of £273 million as a result of an increase in commercial paper issuance.

In addition to its external funding sources, the Group has a number of internal debt arrangements in place, the total of which was £3.7 billion as at 30 June 2003. These arrangements allow the assets supporting technical liabilities to be invested into the pool of central capital for use across the Group. They have also enabled the Group to deploy cash from some parts of its business to others in order to fund growth. Although intra-group loans in nature, they are counted as part of the capital base for the purpose of capital management. All internal loans have been negotiated at market rates and are appropriately serviced.

The ratio of the Group's external debt to shareholders' funds<sup>15</sup> was 19% (31 December 2002: 18%). Interest cover, which measures the extent to which external interest costs are covered by achieved operating profit, was 16 times (31 December 2002: 14 times).

At 30 June 2003, the average free asset ratio of the Group's main UK life with-profit trading operations increased to 14.0% (10.0% excluding implicit items) (Full year 2002: 11.8% including implicit items, and 7.7% excluding implicit items). The orphan estate amounted to £4.5 billion (2002: £4.3 billion). This value is based upon a realistic assessment of liabilities and is calculated after allowing for over £4 billion in respect of the expected cost of guarantees and the glidepath.

The Group's principal UK general insurance regulated subsidiaries are CGU International Insurance plc ("CGUII") and Norwich Union Insurance ("NUI"). CGUII is the parent company of the majority of the Group's overseas life and general insurance subsidiaries. Solvency cover at 30 June 2003 was estimated at 4.3 times for CGUII and 3.1 times for the NUI group. The solvency capital of the combined general insurance and overseas life operations had an estimated excess solvency margin of £2.7 billion at 30 June 2003 (31 December 2002: £2.2 billion).

The Group uses risk based capital as one of its measures to assess the capital requirements for its general insurance businesses. Its current methodology assesses insurance, market and credit risks and considers these risks over a five year period allowing for planned levels of business growth. Based on the Group's model, the risk based capital requirement for its general insurance businesses at 30 June 2003 was £3.3 billion. A remaining £3.1 billion was available to support the Group's overseas life businesses, equivalent to over 1.7 times the minimum solvency requirement.

The Group had an estimated excess regulatory capital, as measured according to the EU Insurance Groups Directive, of some £0.7 billion at 30 June 2003 (31 December 2002: £0.7 billion). This measure represents the excess of the aggregate value of the regulatory capital employed in the business over the aggregate minimum solvency requirements imposed by local regulators, excluding the surplus held in the Group's UK life funds.

At 30 June 2003, the aggregate value of with-profit funds in the UK life business invested on behalf of the Group's policyholders amounted to £46 billion. The split of investments included 36% (31 December 2002: 35%) invested in equities and 44% (31 December 2002: 44%) invested in fixed interest products.

On 10 September 2003, Standard and Poor's reaffirmed the financial strength rating of AA ('very strong') with a stable outlook in respect of the UK life business. The AA- financial strength rating on the Group's other core operating entities was also reaffirmed on this date.

15 Including subordinated capital.

## Industry developments

### *Pension mis-selling*

The pensions review of past sales of personal pension policies which involved transfers, opt-outs and non-joiners from occupational schemes, as required by the FSA, has largely been completed. A provision of some £68 million (2001: £96 million) remains to meet the outstanding costs of the few remaining cases, the anticipated cost of any guarantees provided, and potential levies payable to the Financial Services Compensation Scheme. It continues to be the directors' view that there will be no material effect either on the Group's ability to meet the expectations of policyholders or on shareholders.

### *Guarantees on long-term savings products*

As a normal part of their operating activities, various Group companies have given guarantees, including interest rate guarantees, in respect of certain long-term insurance and fund management products. In the United Kingdom, in common with other pension and life policy providers, the Group wrote individual and group pension policies in the 1970s and 1980s with a guaranteed annuity rate option ("GAO"). Since 1993, such policies have become more valuable to policyholders, and more costly for insurers, as current annuity rates have fallen in line with interest rates.

Reserving policies for the cost of GAOs varied until a ruling by the House of Lords in the Equitable Life case in 2000 which effectively required full reserving by all companies. Prior to the ruling, consistent with the Group's ordinary reserving practice in respect of such obligations, full reserves for GAOs had already been established. No adjustment was made, or was necessary, to the Group's reserving practice as a result of the ruling. The directors continue to believe that the existing provisions are sufficient.

### *Endowments*

In December 1999, the FSA announced the findings of its review of mortgage endowments and expressed concern as to whether, given decreases in expected future investment returns, such policies could be expected to cover full repayment of mortgages. A key conclusion was that, on average, holders of mortgage endowments had enjoyed returns such that they had fared at least as well as they would have done without an endowment. Nevertheless, following the FSA review, all of the Group's UK mortgage endowment policyholders received policy-specific letters advising them whether their investment was on track to cover their mortgage.

In May 2002, in accordance with FSA requirements, the Group commenced sending out the second phase of endowment policy update letters, which provide policyholders with information about the performance of their policies and advice as to whether these show a projected shortfall at maturity. The Group will continue to send these updates annually to all mortgage endowment holders, in accordance with FSA requirements.

An expense provision of £50 million (2001: £10 million) has been made to meet potential mis-selling costs and the associated expenses of investigating complaints. It continues to be the directors' view that there will be no material effect either on the Group's liability to meet the expectations of policyholders or on shareholders.

### *Asbestos, pollution and social environmental issues*

In the course of conducting insurance business, various companies within the Group receive general insurance liability claims, and become involved in actual or threatened litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in various jurisdictions, including the United Kingdom, Australia and Canada. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents which they cover and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty. However, the Group's exposure to such liabilities is not significant and, on the basis of current information and having regard to the level of provisions made for general insurance claims, the directors consider that any costs arising are not likely to have a material impact on the financial position of the Group.

### *Split capital investment trusts*

The Group's fund management subsidiary, Morley Fund Management Limited, acts as investment advisor for a number of Split Capital Investment Trusts. In May 2002, the FSA launched extensive and industry-wide investigations into allegations of collusion by fund managers, mis-selling by intermediaries, and the production and distribution of misleading marketing material. In July 2003, the FSA announced that it had broadened the coverage of the collusion investigations to cover a larger number of firms and individuals. As part of these investigations, Morley Fund Management Limited has been asked to supply information to the FSA. These investigations are ongoing and are likely to continue for some time and the FSA is expected to publish its findings in due course.

## Management

### *Directors of the Issuer*

The following is a list of directors of the Issuer and their principal directorships (if any) performed outside the Group which are or may be significant with respect to the Issuer, as at the date of this document. The business address of each of the directors referred to below is at St Helen's, 1 Undershaft, London EC3P 3DQ.

<b>Name</b>	<b>Responsibilities in relation to the Issuer</b>	<b>Other significant directorships</b>
Pehr Gyllenhammar	Chairman and Non-executive Director	Governdance Limited Lazard Freres & Co LLC (Senior Advisor) Reuters Founders Share Company Limited (Chairman of the Trustees) Swedish Ships Mortgage Bank (Chairman) Lagardère SCA (Member of the Supervisory Board) Renault Nissan (Member of the Advisory Board) PlaNet Finance (Member of the Supervisory Board) European Financial Services Round Table (Chairman)
Richard Harvey	Group Chief Executive	Association of British Insurers (Chairman)
Mike Biggs*	Group Finance Director	—
Philip Scott	Executive Director	—
Patrick Snowball	Executive Director	Pool Reinsurance Company Limited (Non-executive Director)
Philip Twyman**	Executive Director	—
George Paul	Deputy Chairman and Non-executive Director	Agricola Group Limited (Non-executive Chairman) Fleming Overseas Investment Trust plc (Non-executive Chairman), Notcutts Limited (Non-executive Director)
Guillermo de la Dehesa	Non-executive Director	Bank Santander Central Hispano (Non-executive Director) Goldman Sachs Europe (Non-executive Vice Chairman) Campofrio (Director) Unión Eléctrica Fenosa (Director) Telepizza (Director)
Wim Dik	Non-executive Director	Vos Logistics (Non-executive Director) ABN AMRO Bank (Member of the Supervisory Board) TNT Post Group (Member of the Supervisory Board) Unilever (Advisory member of the Boards) LogicaCMG (Non-executive Director)
Carole Piwnica	Non-executive Director	Tate & Lyle (Non-executive Vice-Chairman)
Anna Cheng Catalano	Non-executive Director	Amoco Corp (Group Vice President, marketing) BP plc (Group Vice President, marketing)

\* On 9 July 2003, Mike Biggs gave notice of his resignation from his position as Group Finance Director. He will continue in this role until 31 December 2003 when he will leave the Group.

\*\* Philip Twyman plans to retire in March 2004.

<b>Name</b>	<b>Responsibilities in relation to the Issuer</b>	<b>Other significant directorships</b>
Derek Stevens	Non-executive Director	The Airline Group Limited (Chairman) British Airways Pension Investment Management Limited (Director) NATS Holding Limited (Director)
Elizabeth Vallance	Non-executive Director	Charter Pan-European Trust plc (Non-executive Director) The Health Foundation (Chairman) Queen Mary & Westfield College, University of London (Fellow) Council of the Institute of Education, University of London (Chairman) NHS Advisory Committee on Distinction Awards (Chairman)
André Villeneuve	Non-executive Director	EuroArbitrage (Director) Euronext.LIFFE (Chairman) United Technologies Corporation (Non-executive Director)

## United Kingdom Regulation

### *Insurance business*

The principal subsidiaries of the Group are United Kingdom authorised insurance companies and are subject to the regulation and supervision of the FSA under the Financial Services and Markets Act 2000 (the "FSMA"). Apart from the FSMA, these insurers must also comply with the rules and guidance made by the FSA under powers granted by the FSMA. An important source of these rules and guidance is the Interim Prudential Sourcebook for Insurers (the "Interim Prudential Sourcebook").

### *Permission to transact business*

Subject to the exemptions provided in the FSMA, no person may carry on insurance business in the United Kingdom unless permitted to do so under the FSMA by the FSA. The FSA, in deciding whether to grant permission, is required to determine whether the applicant satisfies the requirements of the FSMA to be engaged in insurance business and, in particular, whether the applicant is a fit and proper person having regard to all the circumstances (including whether the applicant's affairs are conducted soundly and prudently). A permission to carry on insurance business may include such requirements as the FSA considers appropriate.

### *Regulatory reporting*

Insurance companies have to prepare their accounts in accordance with special provisions applicable to them under the Companies Act 1985, and are required to file them and provide their shareholders with audited financial statements and related reports. Insurance companies are separately required under the Interim Prudential Sourcebook to deposit with the FSA an annual return comprising audited accounts and other prescribed documents within three months of the end of their financial year, if the deposit is made electronically, and otherwise within two months and fifteen days of the end of their financial year.

### *Margins of solvency and reserves*

Under the Interim Prudential Sourcebook, individual companies permitted to carry on insurance business in the United Kingdom are required to maintain a margin of solvency, that is, the value of their assets must exceed the amount of their liabilities (each as determined in accordance with the Valuation of Assets Rules and Determination of Liabilities Rules set out in the Interim Prudential Sourcebook) by a specified amount. Failure to maintain the required margin of solvency is one of the grounds upon which the FSA may exercise its powers of intervention.

### *Future developments*

The Interim Prudential Sourcebook is due to be replaced in 2004 by the Integrated Prudential Sourcebook, which is expected to require firms to analyse the risks being run within their business and to align their capital more closely to those risks. It is also expected (amongst other things) to introduce new disclosure requirements. In a separate development, a new regime to regulate the conduct of general insurance business for the first time is expected to be introduced from the beginning of 2005. This is expected to require all insurance intermediaries to be authorised by the FSA, and to introduce standards for advertising, claims-processing and administration.

## CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the consolidated capitalisation and indebtedness of the Issuer and its subsidiaries as at 30 June 2003, as extracted without adjustment from the Issuer's unaudited interim consolidated accounts:

	30 June 2003
	<i>£m</i>
<b>Liabilities</b>	
<b>Subordinated Debt<sup>(2)</sup></b>	
Sterling 6.125% Fixed/Fixed Rate Reset Subordinated Notes due 2036 .....	679
Euro 5.75% Fixed/Floating Rate Subordinated Notes due 2021 .....	546
	<u>1,225</u>
<b>Borrowings<sup>(1),(2),(3)</sup></b>	
<b>8.625% - 9.5% Debenture loans<sup>(4)</sup></b>	
Due within one year .....	1
Due after more than one year and less than five years .....	171
Due after five years .....	288
	<u>460</u>
<b>Amounts due to credit institutions<sup>(5)</sup></b>	
Due within one year .....	226
Due after more than one year and less than five years .....	7
Due after five years .....	16
	<u>249</u>
<b>Commercial paper<sup>(6)</sup></b>	
Due within one year .....	1,628
Total borrowings <sup>(7)</sup> .....	<u>2,337</u>
Total borrowings and subordinated debt .....	<u>3,562</u>
<b>Shareholders' funds<sup>(1)</sup></b>	
<b>Share capital<sup>(8)</sup></b>	
Ordinary share capital .....	564
Preference share capital .....	200
<b>Share premium account</b> .....	1,095
<b>Retained profits and reserves</b> .....	8,560
Total shareholders' funds .....	<u>10,419</u>

Note:

- (1) Shareholders' funds and borrowings are based on unaudited consolidated figures as at 30 June 2003. Shareholders' funds are shown net of the proposed interim dividend of £203 million payable on 17 November 2003.
- (2) Foreign currency borrowings have been translated at closing rates on 30 June 2003.
- (3) Borrowings exclude intra group loans.
- (4) Of the total amount of debenture loans, £334 million is guaranteed by companies within the Group and a further £6 million is secured against property owned by the Group. There are no borrowings guaranteed by third parties.
- (5) Of the total amount due to credit institutions, £152 million is guaranteed by companies within the Group. There are no borrowings guaranteed by third parties. All borrowings are unsecured.
- (6) Of the total amount of commercial paper, £1,604 million is guaranteed by companies within the Group. There are no borrowings guaranteed by third parties. All borrowings are unsecured.
- (7) Of the total borrowings and subordinated debt, £3,393 million are held in the United Kingdom, £7 million in France, £142 million in the Netherlands, £10 million in Ireland and the remainder are held in Australia, Canada and the Middle East.
- (8) The authorised share capital of the Issuer is £950 million divided into 3,000 million ordinary shares of 25p each, of which 2,257,040,425 had been issued at 30 June 2003 and are fully paid, and 200 million irredeemable preference shares of £1 each, all of which have been issued and are fully paid.

Except as disclosed above the Issuer and its subsidiaries had, as at 30 June 2003, no borrowings, indebtedness, material contingent liabilities or guarantees (save, in the case of guarantees, for those referred to in "Description of the Group – Industry Developments – Guarantees on long-term savings products" on page 60). There has been no material change in the consolidated capitalisation or indebtedness (including contingent liabilities and guarantees) of the Issuer and its subsidiaries since 30 June 2003.



## UNITED KINGDOM TAXATION

The comments below are of a general nature based on the Issuer's understanding of current United Kingdom law and practice. 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 taxpayer (such as dealers and certain professional investors). They deal only with the question of whether payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax and do not deal with other United Kingdom tax consequences that might arise from holding Notes.

1. The Notes will constitute "quoted Eurobonds" within the meaning of section 349(4) of the Income and Corporation Taxes Act 1988 (the "Act") while the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act. Accordingly, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

If the Notes cease to be listed on a recognised stock exchange interest will generally be paid under deduction of income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

2. The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes who are not resident for tax purposes in the United Kingdom, except where such persons carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received by certain categories of agent or to which the Notes are attributable, in which case tax may be levied on the United Kingdom branch or agency. There are exemptions for interest received by certain categories of agents.

Noteholders should note that the provisions relating to additional amounts referred to in "Terms and Conditions of the Sterling Undated Notes – 9 Taxation", "Terms and Conditions of the Euro Undated Notes – 9 Taxation" and in "Terms and Conditions of the Dated Notes – 9 Taxation" above would not apply if the Inland Revenue 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.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes ceased to be listed), Noteholders who are not resident 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.

**Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.**

## SUBSCRIPTION AND SALE

Barclays Bank PLC, Goldman Sachs International, Lehman Brothers International (Europe), Société Générale, ABN AMRO Bank N.V., HSBC Bank plc and The Royal Bank of Scotland plc (together, the “Managers”) have, pursuant to Subscription Agreements dated 24 September 2003 (each a “Subscription Agreement”), agreed with the Issuer to subscribe and pay for the Notes:

- (a) in respect of the Sterling Undated Notes at 99.072 per cent. of the principal amount of the Sterling Undated Notes plus accrued interest, less a selling commission of 0.375 per cent. of the principal amount of the Sterling Undated Notes. The Issuer will also pay to the Managers a combined management and underwriting commission of 0.250 per cent. of the principal amount of the Sterling Undated Notes;
- (b) in respect of the Euro Undated Notes at 99.296 per cent. of the principal amount of the Euro Undated Notes plus accrued interest, less a selling commission of 0.375 per cent. of the principal amount of the Euro Undated Notes. The Issuer will also pay to the Managers a combined management and underwriting commission of 0.250 per cent. of the principal amount of the Euro Undated Notes; and
- (c) in respect of the Dated Notes, at 99.239 per cent. of the principal amount of the Dated Notes plus accrued interest less in each case a selling commission of 0.325 per cent. of the principal amount of the Dated Notes. The Issuer will pay to the Managers a combined management and underwriting commission of 0.225 per cent. of the principal amount of the Dated Notes.

The Managers have agreed to repay certain amounts payable by the Issuer in connection with the issue. The Managers are entitled to terminate the Subscription Agreements in certain circumstances prior to payment to the Issuer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered, sold or delivered 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.

The Notes 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 and regulations thereunder.

Each Manager has severally agreed that, except as permitted by the relevant Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (that is not participating in the offer) may violate the registration requirements of the Securities Act.

Each Manager has severally represented and agreed that:

- (i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part VI of the FSMA, except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;
- (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 Issuer;
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

Each Manager has severally agreed that the Notes will not be offered, sold or transferred, directly or indirectly, in the Netherlands except to individuals or entities who or which trade or invest in securities in the conduct of a

profession or business within the meaning of article 2 of the Exemption Regulation of 21 December 1995 issued pursuant to article 4 of the Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer* 1995 of 16 November 1995) which includes banks, brokers, securities institutions, insurance companies, pension funds, investment institutions, other institutional investors and other parties, including treasury departments of commercial enterprises and finance companies which are regularly active in the financial markets in a professional manner.

Each of the Managers has severally represented, warranted and agreed that (a) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France, (b) it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Offering Circular or any other offering material relating to the Notes, except to qualified investors (*investisseurs qualifiés*) as defined in articles L. 411-1 and L. 411-2 of the French *Code monétaire et financier*, and *Décret* no. 98-880 dated 1 October 1998 relating to offers to qualified investors (as amended by *Décret* no. 2001-96 dated 2 February 2001) and (c) offers and sales of Notes will be made in the Republic of France only to such qualified investors.

Each Manager has severally represented and agreed that the Notes have not been and will not be publicly offered in Germany and, accordingly, that no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Notes in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-Verkaufsprospektgesetz*, the "Sales Prospectus Act"), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has further severally represented and agreed that it has only offered and sold and will only offer and sell the Notes in the Federal Republic of Germany in accordance with the provisions of the Sales Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the provisions of the Sales Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the Notes to the public in Singapore.

Save for obtaining the approval of this Offering Circular as listing particulars by the UK Listing Authority and delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales, no action has been taken by the Issuer or any Manager which would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

## GENERAL INFORMATION

- (1) The Issuer is incorporated in England with registered number 2468686.
- (2) The listing of each Tranche of the Notes on the Official List will be expressed as a percentage of their principal amount. It is expected that listing of the Notes on the Official List and admission to trading by the London Stock Exchange will be granted on or around 29 September 2003 subject only to the issue of the Temporary Global Note in respect of the relevant Tranche. 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 settlement in sterling or (in the case of the Euro Undated Notes and the Dated Notes) in euro and for delivery on the third working day after the date of the transaction.
- (3) Save as disclosed herein, there has been no significant change in the financial or trading position of the Group since 30 June 2003 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2002.
- (4) The Group is not and has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the previous 12 months, a significant effect upon the financial position of the Group.
- (5) The annual accounts of the Issuer for the last three financial years have been audited. The consolidated accounts of the Issuer for the year ended 31 December 2002 and of the Issuer (then known as CGNU plc) for the year ended 31 December 2001 were audited by Ernst & Young LLP, Chartered Accountants, in accordance with auditing standards and have been reported on without qualification. The consolidated accounts of the Issuer for the year ended 31 December 2000 were audited by Ernst & Young and PricewaterhouseCoopers, Chartered Accountants, in each case in accordance with auditing standards, and reported on without qualification. The report of the Issuer's auditors for the year ended 31 December 2002 contained a statement that to the fullest extent permitted by law, the Issuer's auditors do not accept or assume responsibility to anyone other than the Issuer and the Issuer's members as a body for their audit work, for their report, or for the opinions they have formed. The address of Ernst & Young LLP is Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH. The address of PricewaterhouseCoopers is Southwark Towers, 32 London Bridge Street, London SE1 9SY.
- (6) The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 20 June 2003 and by a resolution of a committee of the Board of Directors of the Issuer passed on 9 September 2003.
- (7) The Trust Deed will provide that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) in accordance with the provisions of the Trust Deed whether or not called for by or addressed to the Trustee and whether or not any such certificate, report, engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit on the liability of the Auditors.
- (8) The Notes, which are debt obligations, have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISINs and Common Codes for the Notes are as follows:

	ISIN	Common Code
<b>Sterling Undated Notes</b>	XS0177447983	17744798
<b>Euro Undated Notes</b>	XS0177448288	17744828
<b>Dated Notes</b>	XS0177448015	17744801

- (9) Copies of the following documents may be inspected at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for 14 days from the date of this Offering Circular:
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the Annual Report and Accounts of the Issuer (consolidated Group accounts) for the years ended 31 December 2002 and 31 December 2001;

- (iii) the interim financial accounts of the Issuer for the six months ended 30 June 2003;
- (iv) the Subscription Agreements;
- (v) drafts (subject to modification) of the Trust Deed and the Paying Agency Agreement relating to each Tranche.

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