



ADMIRAL GROUP PLC

(incorporated and registered in England and Wales with registered number 03849958)
Legal Entity Identifier (LEI): 213800FGVM7Z9EJB2685

£250,000,000 8.500 per cent. Subordinated Notes due 2034
Issue Price 100.00 per cent.

The £250,000,000 8.500 per cent. Subordinated Notes due 2034 (the "**Notes**") will be issued by Admiral Group plc (the "**Issuer**") on 6 July 2023 (the "**Issue Date**"). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer. The Notes will bear interest from (and including) the Issue Date at the rate of 8.500 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on 6 January and 6 July in each year (commencing on 6 January 2024). The Issuer is required to defer interest payments if (i) the relevant payment could not be made in compliance with the solvency condition described in Condition 2(c) (*Solvency Condition*) (the "**Solvency Condition**") of the terms and conditions of the Notes (the "**Conditions**") or (ii) a Regulatory Deficiency Interest Deferral Event (as defined herein) has occurred and is continuing or would occur if such interest payment were made. Any interest which is deferred will, for so long as it remains unpaid, constitute "Arrears of Interest". Arrears of Interest shall not themselves bear interest and will be payable in the circumstances described in Condition 5(d) (*Payment of Arrears of Interest*).

Unless previously redeemed, purchased, substituted, varied or cancelled, the Notes are scheduled to mature on 6 January 2034 (the "**Maturity Date**"). Subject to certain pre-conditions, including satisfaction of the Solvency Condition and *provided that* no Regulatory Deficiency Redemption Deferral Event (as defined herein) has occurred and is continuing or would occur if redemption is made, the Notes will be redeemed on the Maturity Date. Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with relevant legal or regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules (each as defined herein)) on notifications to, or consent or non-objection from the Relevant Regulator and to be in continued compliance with the Relevant Rules applicable to it. Subject to the above, to the Relevant Rules, to satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event having occurred and continuing or occurring if redemption is made, the Notes may be redeemed prior to such date at the option of the Issuer (i) on any date in the period from (and including) 6 July 2023 to (but excluding) the Maturity Date, (ii) upon the occurrence of certain specified events relating to taxation, a Capital Disqualification Event or a Rating Methodology Event (each as defined herein) or (iii) if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (including for these purposes any Further Notes (as defined herein)) has been purchased or otherwise acquired by the Issuer or any of its Subsidiaries (as defined herein) and cancelled, in each case at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption. The redemption of the Notes on the Maturity Date or any other date fixed for the redemption of the Notes shall be deferred in certain circumstances as set out in Condition 6 (*Redemption, Substitution, Variation and Purchase*). The Issuer will, upon the occurrence of certain specified events relating to taxation, a Capital Disqualification Event or a Rating Methodology Event, also have the right to substitute the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as applicable and each as defined herein), as described in Condition 6 (*Redemption, Substitution, Variation and Purchase*).

Application has been made to the United Kingdom ("UK") Financial Conduct Authority (the "**FCA**") for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market (the "**Market**"). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") ("**UK MiFIR**"). This Prospectus has been approved by the FCA as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Prospectus is issued in compliance with the UK Prospectus Regulation for the purpose of giving information with regard to the issue of the Notes.

The denomination of the Notes shall be £100,000 and integral multiples of £1,000 in excess thereof. The Notes will be issued in registered form and will be represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depository for Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on the Issue Date. Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the registered global certificate.

The Notes have been rated BBB by Fitch Ratings Ltd ("**Fitch**"). In accordance with Fitch's ratings definitions available as at the date of this Prospectus on www.fitchratings.com/products/rating-definitions, a long-term rating of "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The credit ratings included or referred to in this Prospectus have been issued by Fitch which is established in the United Kingdom (the "UK") and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Fitch is included in the latest update of the list of registered credit rating agencies on the FCA's Financial Services Register. Fitch has not been certified under Regulation (EC) No. 1060/2009 (the "**EEA CRA Regulation**") but the rating Fitch has given to the Notes has been endorsed by Fitch Ratings Ireland Limited, which is established in the European Economic Area ("**EEA**") and registered under the EEA CRA Regulation.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section entitled "Risk Factors**" in this Prospectus.**

Joint Bookrunners

HSBC

Lloyds Bank Corporate Markets

UBS Investment Bank

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Any information contained in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Words and expressions defined in the section entitled "*Terms and Conditions of the Notes*" and not otherwise defined in this Prospectus shall have the same meanings when used in the remainder of this Prospectus.

Unless otherwise indicated, all references in this document to:

- "**2022 Audited Consolidated Financial Statements**" are to the auditors' report and audited consolidated annual financial statements of the Group for the financial year ended 31 December 2022

(which for the avoidance of doubt exclude the solvency ratio section at Note 12e (*Share Capital – Objectives, policies and procedures for managing capital*) which is unaudited) and which are incorporated by reference into this Prospectus;

- "**2021 Audited Consolidated Financial Statements**" are to the auditors' report and audited consolidated annual financial statements of the Group for the financial year ended 31 December 2021 (which for the avoidance of doubt exclude the solvency ratio section at Note 12e (*Share Capital – Objectives, policies and procedures for managing capital*) which is unaudited) and which are incorporated by reference into this Prospectus;
- the "**Group**" are to the Issuer and its consolidated subsidiaries;
- and to "**sterling**", "**pounds sterling**", "**£**" or "**pence**" are to the lawful currency of the UK.

The Group prepares its financial information in pounds sterling.

No person is or has been authorised to give any information or to make any representation not contained in or consistent with this Prospectus in connection with the issue or offering of Notes and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, HSBC Bank plc, Lloyds Bank Corporate Markets plc and UBS AG London Branch (the "**Joint Bookrunners**") or HSBC Corporate Trustee Company (UK) Limited (the "**Trustee**"). Neither the delivery of this Prospectus nor any offering made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Bookrunners and the Trustee have not separately verified the information contained in this Prospectus. None of the Joint Bookrunners nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the listing of the Notes. None of the Joint Bookrunners nor the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the listing of the Notes. Neither this Prospectus nor any other information supplied in connection with the listing of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Joint Bookrunners or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Notes should acquire the Notes. Each potential investor in the Notes should determine for itself the relevance of the information contained in this Prospectus and its acquisition of Notes should be based upon such investigation as it deems necessary. None of the Joint Bookrunners nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

Neither this Prospectus nor any other information provided by the Issuer in connection with the listing of the Notes constitutes an offer of, or an invitation by or on behalf of the Issuer, the Joint Bookrunners or the Trustee to subscribe for, or otherwise acquire, any of the Notes (see "*Subscription and Sale*" below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Joint Bookrunners or the Trustee represents that this Prospectus 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, no action has been taken by the Issuer, the Joint Bookrunners or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus 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 Prospectus or any Notes may come must inform themselves about, and observe, any such

restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States ("US"), the UK and the EEA. Persons in receipt of this Prospectus are required by the Issuer, the Joint Bookrunners and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States (the "US") or any other jurisdiction. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the US as defined in Regulation S under the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*" below.

Suitability of investment in the Notes

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the Notes, be familiar with the behaviour of any relevant indices and financial markets and be familiar with the proposed resolution regimes applicable to the Issuer and the Insurance Group, including the possibility that the Notes may become subject to write-down or conversion if the proposed resolution powers are exercised;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the Notes

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its acquisition or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Neither this Prospectus nor any financial statements nor any further information supplied pursuant to the terms of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, or constituting an invitation or offer, by or on behalf of the Issuer, the Joint Bookrunners, the Trustee or HSBC Bank plc (the "**Principal Paying Agent**" and the "**Registrar and**

Transfer Agent"), that any recipient of this Prospectus or any financial statements or any further information supplied pursuant to the terms of the Notes should subscribe for or purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Notice to Canadian Investors: The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 – Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws in Canada.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, *provided that* the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 – Underwriting Conflicts (NI 33-105), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any issuance of Notes.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as amended and modified from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018).

Stabilisation

In connection with the issue of the Notes, HSBC Bank plc (the "Stabilisation Manager") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and regulations.

Forward-looking statements

This Prospectus, including the documents incorporated by reference herein, includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the board of directors of the Issuer's (the "**Board**") current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "aim", "believe", "expects", "may", "will", "could", "seek", "strive", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Board or the Group concerning, among other things, the results of operations, financial condition, prospects, growth and strategies of the Group and the industry in which it operates.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results

indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to those described in "*Risk Factors*".

Forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Issuer and the Joint Bookrunners expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in the Issuer's expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law, the UK Prospectus Regulation, the UK listing rules or the disclosure and transparency rules of the FCA made under section 73A of the FSMA.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms which are defined in the Conditions shall have the same meaning when used in this overview.

Issuer:	Admiral Group plc.
Description of the Notes:	£250,000,000 8.500 per cent. Subordinated Notes due 2034.
Joint Bookrunners:	HSBC Bank plc, Lloyds Bank Corporate Markets plc and UBS AG London Branch.
Trustee:	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent:	HSBC Bank plc
Registrar and Transfer Agent:	HSBC Bank plc
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out in the section entitled " <i>Risk Factors</i> " below.
Status and Subordination of the Notes:	The Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank <i>pari passu</i> without preference among themselves. The rights and claims of the Noteholders against the Issuer are subordinated in a winding-up of the Issuer (other than an Approved Winding-up) or where an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, as described in Condition 2(b) (<i>Subordination</i>) and the provisions of the Trust Deed.
Solvency Condition:	Except for in the event of a winding-up of the Issuer in England and Wales (other than an Approved Winding-up) or where an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend and without prejudice to Conditions 2(b) (<i>Subordination</i>) and 9 (<i>Events of default</i>), payments of all amounts under or arising from the Notes and the Trust Deed (other than payments made to the Trustee acting on its own account under the Trust Deed) will be mandatorily deferred unless the Issuer is solvent (as defined herein) at the time for payment by the Issuer and unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.
Maturity Date:	Unless previously redeemed or purchased and cancelled, the Issuer will (subject as provided under "<i>Deferral of Redemption Date</i>" below and "<i>Preconditions to early redemption, substitution, variation or purchases</i>" below) redeem the Notes on 6 January 2034. The Notes are not redeemable at the option of any Noteholder in any circumstances.
Early Redemption at the Option of the Issuer:	The Issuer may, (subject as provided under " <i>Deferral of Redemption Date</i> " below and " <i>Preconditions to early redemption, substitution, variation or purchases</i> " below) having given notice to the Trustee, the Principal Paying Agent and the Noteholders, at its

option redeem all of the Notes, but not some only, at any time in the period from (and including) 6 July 2033 to (but excluding) the maturity date at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption.

Clean-up call:

Subject as provided under "*Deferral of Redemption Date*" below and "*Preconditions to early redemption, substitution, variation or purchases*" below and upon notice to the Trustee, the Principal Paying Agent and the Noteholders, the Notes may also be redeemed at the option of the Issuer if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (including for these purposes any Further Notes) has been purchased or otherwise acquired by the Issuer or any of its Subsidiaries and cancelled pursuant to the Conditions. The Notes shall be redeemed at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption.

Redemption upon a Tax Event, Capital Disqualification Event or a Rating Methodology Event:

The Issuer may, subject to certain conditions (including, but without limitation, as provided under "*Deferral of Redemption Date*" below and "*Preconditions to early redemption, substitution, variation or purchases*" below) and having given notice to the Trustee, the Principal Paying Agent and the Noteholders, at any time elect to redeem the Notes at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption, if a Tax Event (as defined below), Capital Disqualification Event or a Rating Methodology Event has occurred and is continuing.

A "**Tax Event**" will occur if:

(i) as a result of a Tax Law Change, on the next Interest Payment Date either (a) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*); or (b) the Issuer would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the UK or such entitlement is reduced; or (c) in respect of the payment of interest, the Issuer would not to any material extent be entitled to have any attributable loss (if any) or non trading deficit (if any) set against the profits of companies with which it is grouped for applicable UK tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (d) the Notes are prevented from being treated as loan relationships for UK tax purposes; and

(ii) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it.

A "**Capital Disqualification Event**" shall occur if, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the whole or any part of the principal amount of the Notes then outstanding is excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Insurance Group (whether on a solo, group or consolidated basis), except where such non-qualification is only as a result of the aggregate amount of eligible items available to be counted towards Tier 2 Capital (or a relevant component part thereof) exceeding any applicable upper limit on the aggregate amount or proportion of such items permitted to be

so counted by the Issuer or the Insurance Group (other than a limit derived from any transitional or grandfathering provisions under the Relevant Rules).

A "**Rating Methodology Event**" means at any time, as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of the Rating Agency on or after the Reference Date, the equity credit in the capital adequacy assessment (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of total capital) assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to the equity credit which was (a) first assigned by the Rating Agency to the Notes on or around the Issue Date or (b) (if this is lower) assigned by the Rating Agency to the Notes as at (or in connection with an issue of Further Notes) the Reference Date.

Substitution and Variation:

The Issuer may, subject to certain conditions and having given notice to Noteholders, at any time elect to substitute the Notes for, or vary the terms of the Notes so that they become or remain (as applicable), (in the case of a Tax Event or a Capital Disqualification Event) Qualifying Tier 2 Securities or (in the case of a Rating Methodology Event) Rating Agency Compliant Securities if, immediately prior to the giving of the relevant notice to Noteholders, a Tax Event, Capital Disqualification Event or Rating Methodology Event has occurred and is continuing.

Deferral of Redemption Date:

No Notes shall be redeemed by the Issuer on the Maturity Date or on any other date fixed for redemption pursuant to Conditions 6(a)(ii) (*Issuer par call*), 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*) or 6(f) (*Clean-up call*) if (i) the Notes could not be redeemed in compliance with the Solvency Condition, (ii) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed or (iii) the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If redemption of the Notes is deferred, the Issuer will only subsequently redeem the Notes as provided in Condition 6(b) (*Deferral of redemption date*).

"**Regulatory Deficiency Redemption Deferral Event**" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is, an event) which under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes and where the Relevant Regulator has not waived the requirement to defer or suspend repayment or redemption of the Notes in accordance with any pre-conditions to such waiver being capable of being granted

as prescribed by the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and the Insurance Group under the Relevant Rules).

Preconditions to early redemption, substitution, variation or purchases:

Any redemption, substitution, variation or purchase of the Notes, is subject to the Issuer having complied with the Relevant Rules including (to the extent then required by the Relevant Regulator or the Relevant Rules) on notification to, or consent or non-objection from, the Relevant Regulator and such redemption, substitution, variation or purchase being otherwise permitted under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules).

Interest:

The Notes will bear interest from (and including) the Issue Date at the rate of 8.500 per cent. per annum payable (subject as provided under "*Regulatory Deficiency Interest Deferral*" below) semi-annually in arrear on 6 January and 6 July in each year.

Regulatory Deficiency Interest Deferral:

The Issuer is required to defer any payment of interest on the Notes on each Interest Payment Date (i) in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made on such Interest Payment Date and/or (ii) on which such payment could not be made in compliance with the Solvency Condition.

"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and such breach is an event) which under the Relevant Rules requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and where the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes in accordance with any pre-conditions to such waiver being capable of being granted as prescribed by the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and the Insurance Group under the Relevant Rules).

Arrears of Interest:

Any interest on the Notes not paid on an Interest Payment Date as a result of the obligation on the Issuer to defer such payment of interest pursuant to Condition 5(a) (*Regulatory Deficiency Deferral of Interest*) or the operation of the Solvency Condition shall (without double counting), to the extent and for so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Arrears of Interest may (subject to the operation of the Solvency Condition and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator and to any other requirements under the Relevant Rules) be paid by the Issuer in whole or in part at any time (*provided that* at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) having given notice to the Trustee, the Principal Paying Agent and the Noteholders, and in any event will become due and payable in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to the Conditions (other than a voluntary payment of Arrears of Interest); or
- (ii) the date on which an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which an administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of the Notes pursuant to Condition 6 (*Redemption, Substitution, Variation and Purchase*) (subject to deferral of such redemption date pursuant to and in accordance with the Conditions).

Events of Default:

If a default is made by the Issuer for a period of 14 days or more in the payment of any interest due (including, without limitation, Arrears of Interest, if any) or principal due in respect of the Notes or any of them, or an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or an administrator of the Issuer is appointed and gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may (and, subject to certain conditions, if so directed by the requisite majority of Noteholders, shall) institute proceedings for the winding-up of the Issuer by a competent court and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment (as applicable), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed. No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to Condition 9(a) (*Rights to institute and/or prove in a winding-up of the Issuer*), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection (if required) from, the Relevant Regulator, which the Issuer shall provide a copy of to the Trustee or certify in writing to the Trustee that such consent or non-objection (if required) from the Relevant Regulator has been received.

Additional Amounts:

All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes of the UK, unless such withholding or deduction is required by law.

If any such withholding or deduction is made in respect of any interest payments in respect of any Note (but not in respect of principal or payments of any other amounts in respect of the Notes), additional amounts will be payable by the Issuer subject to certain exceptions as are more fully described in Condition 8 (*Taxation*).

Substitution of the Issuer:	The Conditions permit the Trustee to concur in the substitution in place of the Issuer of a Substituted Obligor or the addition of a Related Undertaking of the Issuer (or substitute Issuer) as a guarantor of the Issuer's (or substitute Issuer's) obligations in the circumstances described in Condition 14 (<i>Substitution of Issuer</i>) without the consent of Noteholders. Any substitution shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator.
Modification:	The Trust Deed will contain provisions for convening meetings of Noteholders to consider any matter affecting their interests, pursuant to which defined majorities of the Noteholders may consent to the modification or abrogation of any of the Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Noteholders. The Trust Deed also provides that a resolution may be passed in writing (and where the Notes are held in global form by way of electronic consent) (see the section entitled "<i>Summary of Provisions Relating to the Notes while in Global Form – Electronic Consent and Written Resolution</i>" for further details).
Form:	The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depositary for Clearstream Banking, S.A. and Euroclear Bank SA/NV on the Issue Date. Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the registered global certificate. See the section of this Prospectus entitled " <i>Summary of Provisions relating to the Notes while in Global Form</i> " below for further details.
Denomination:	The denomination of the Notes shall be £100,000 and higher integral multiples of £1,000 in excess thereof.
Listing and Admission to Trading:	Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market.
Rating:	The Notes have been rated BBB by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The credit ratings included or referred to in this Prospectus have been issued by Fitch which is established in the UK and is registered under the UK CRA Regulation. Fitch is included in the latest update of the list of registered credit rating agencies on the FCA's Financial Services Register. Fitch has not been certified under the EEA CRA Regulation but the rating Fitch has given to the Notes has been endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and is registered under the EEA CRA Regulation.
Governing Law:	The Notes and the Trust Deed will be governed by, and construed in accordance with, English law.
Selling Restrictions:	The US, the EEA, the UK, Canada and Singapore.
Use of Proceeds:	The net proceeds of the issue of the Notes will be used by the Issuer to fund the general business and commercial activities of the

Group, including the refinancing of its £200,000,000 5.500 per cent. Subordinated Notes due 2024 (ISIN: XS1090334050) (the "**Existing Notes**").

On 27 June 2023, the Issuer announced an invitation to holders of its Existing Notes to tender any and all of their Existing Notes for purchase by the Issuer for cash. The offering of the Notes is not conditional on any minimum amount of the Existing Notes being repurchased pursuant to such tender offer.

Clearing Systems:

Clearstream Banking, S.A. and Euroclear Bank SA/NV.

ISIN:

XS2643776680

Common Code:

264377668

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Group's business, and the impact each risk could have on the Group is set out below. In addition, many of these factors are correlated and may increase the Issuer's overall capital requirements and/or increase the likelihood of a deferral of payments on the Notes, and this could mean that, when combined, the adverse consequences of certain of the risks referred to below impacting on the Group could compound or exacerbate the impact of other risks.

The Group believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Group may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Group does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Capitalised terms which are defined in the Conditions shall have the same meaning when used in this section unless otherwise stated.

1. Risks relating to the financial markets, the financial strength and financial condition of the Group, the valuation of assets and related risks

Continuing difficult conditions in the global financial markets and the UK and global economies may have a material adverse effect on the Group's business, results and financial condition

Like other insurance groups, the Group is directly and indirectly subject to inherent risks arising from general economic conditions in the UK and other economies and the state of the global financial markets. Volatility in the UK and global markets, described in the paragraph below, may have a materially adverse effect on the Group due to its exposure to asset prices and the various international markets in which the Group operates. The Group cannot predict the level of growth in the global economy, but an ongoing sustained period of weak growth would have an adverse effect on its business and operations.

In recent years there has been heightened market volatility including in UK markets during autumn 2022 and as a result of the Covid-19 pandemic, the Russian invasion of Ukraine and bank failures in the US and Europe during 2023.

As a result of these continuing uncertainties, the risk of a further downturn in the global financial market and significant movements in interest rates and credit spreads, the results of the Group's operations may be subject to significant volatility, and there can be no assurance as to the effects of any volatility on the prospects, profitability, liquidity, financial condition of the Group or the ability of the Issuer to make payments in respect of the Notes, particularly if such volatility is prolonged. Specific effects may include:

- a general reduction in business activity and market volumes which affects revenues, such as premium income from sales of insurance and ancillary products;
- an increased incidence of claims and increased cost of claims (particularly unanticipated inflation in open claims) or cancellations of policies that could affect the current and future profitability of the business;
- reduced Group liquidity leading to insufficient financial resources to meet its liabilities when they fall due or excessive cost for raising additional liquidity;
- market downturns resulting in a reduction in the valuations of assets and investments held by the Group;
- reduced market liquidity, limiting the Group's ability to trade in investment assets, access capital and manage risks;
- increased capital requirements applicable to the Group as a result of adverse market conditions and/or applying additional market related stress tests; and

- increased risk that adverse economic conditions could negatively impact results for Admiral Money.

Fluctuations in the rate of inflation or a sustained increase in the rate of inflation may adversely affect the Group's profitability

Inflation, as measured by consumer price indices or other means, is a continuing risk for the Group. A sustained increase in the inflation rate may negatively affect the Group's business, solvency position, combined operating ratio and results of operations. It is also a specific risk for Admiral Money – inflation generally results in a higher cost of funding that must be reflected in the interest rates offered to customers and therefore could adversely impact the attractiveness of Admiral Money's products and the ability of some customers to make their loan repayments. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may: (i) decrease the estimated fair value of certain fixed income securities held in the Group's investment portfolios resulting in reduced asset values that could negatively impact the solvency position and income of the Group; (ii) increase the cost of all claims (for example due to an increase in the cost of parts for repairs, replacement car prices and of wages) and (iii) increase the benefits payable by the Group to policyholders where they are linked to inflation such as Periodic Payment Order ("PPO") payments (as referred to in "*Adverse claims and reserving risk could have a significant adverse impact on the financial results and operations of the Group*") which would have a negative impact on profits and increase capital requirements which would impact the prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

Significant fluctuations or declines in investment values could adversely affect the Group's profitability and financial condition

The value of investment assets fluctuates, which can impact the capital levels supporting the Group's business and have a negative impact on the Group's capital position.

The Group maintains a balanced investment strategy. The main objectives are matching of capital in the overall portfolio and delivery of low volatility investment returns. The cash and investments are structured so that the investments mature to meet cash requirements for ongoing operations and policyholder liabilities. Assets are primarily invested in securities to match the liability profile of the business including maturity and currency. Liquidity is managed across the Group to ensure adequate liquidity for the Group's operations. The Group intends to hold adequate liquidity to meet outflows as required with appropriate buffers for unexpected events. In order to meet these objectives, the Group invests across different assets classes including: cash at bank, cash deposits, money market funds (and other funds), government bonds, corporate bonds and private debt.

Increased volatility in financial markets and/or significant changes in interest rates, credits spreads or foreign exchange rates could still result in a substantial loss in the value of the investments of the Group.

Continued growth of the Group's businesses outside the UK has altered the exposure to net assets and liabilities in currencies other than pounds sterling, increasing the Group's exposure to euros and U.S. dollars in particular and continued growth of international operations may increase this risk.

The realisation of any of the above risks could have an adverse impact on the capital position of the Group and its prospects, profitability and financial condition and the Issuer's ability to make payments under the Notes.

The Group is exposed to credit risks which may adversely affect the Group's capital and its profitability

The Group is primarily exposed to credit risk in the form of: (a) reinsurance counterparty credit risk; or (b) banking counterparty credit risk; or (c) credit risk of investments. One or more counterparties could suffer significant losses leading to a credit default which could impact the Group's capital position and its profitability, while a downgrade of investments to lower credit ratings could impact the Group's solvency ratio and if investments have to be written down this could impact the Group's capital position and profitability.

Admiral Money also exposes the Group to credit risk in relation to customer defaults on its unsecured personal loan and car finance business. The increase in cost of living and other economic headwinds may lead to an increased number of customers being unable to meet their loan repayments or insurance premiums.

If the actions taken by the Group do not successfully mitigate these risks then, depending on its nature and severity, the impact of a major credit event could be losses and reduced capital. The Group also needs to ensure that it continues to have sufficient liquid assets to meet its claims and other liabilities as they fall due and may need to raise additional capital to deal with the impact of a major credit event. Such credit events could also impact future profitability of the Group and its lending capabilities and therefore have consequences for the financial condition of the Group and the Issuer's ability to make payments under the Notes.

Changes in interest rates may reduce the value of the Group's investment portfolio and adversely impact the capital values of assets and liabilities

Unfavourable fluctuations in market interest rates could adversely impact on the capital values of financial assets and liabilities.

The Group is exposed to interest rates through its investments and discounting of liabilities. As noted above, the cash and investments are structured so that the investments mature to meet cash requirements for ongoing operations and policyholder liabilities. Assets are primarily invested in securities to match the liability profile of the business including maturity. The Board seeks to hold investments with an average duration in line with the liabilities to avoid any material asset and liability mismatching.

As a result, if the Group is unable to successfully manage interest rate risk, the effect of interest rate changes may impact the liquidity, prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

The valuations of financial and insurance assets and liabilities are subject to differing interpretations

The valuation basis for financial and insurance assets and liabilities in the Group's accounts may include methodologies, estimations and assumptions which are subject to differing interpretations and, depending on the interpretation, could result in changes to the valuation of these assets and liabilities that may materially affect the Group's profitability and financial condition.

The Group's financial statements are prepared on the historical cost basis, except for the revaluation of financial instruments classified as at fair value through profit or loss or as fair value through other comprehensive income. Fair values of financial instruments that are quoted in active markets are based on bid prices for the assets held. When independent prices are not available, fair values are determined by using comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted bid prices or where, for example, transaction volumes fall significantly, inherently involves the use of judgement.

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate estimated total cost of settling claims that have been incurred prior to the balance sheet date and remain unsettled at the balance sheet date, along with a margin to allow for unforeseen adverse claims development.

The Group, utilising internal actuarial teams, projects the best estimate claims reserves using a variety of different recognised actuarial projection techniques (for example incurred and paid chain ladders, and initial expected assumptions) to allow an actuarial assessment of their potential outcome. This includes an allowance for unreported claims. The projection techniques are subject to review by an independent external actuarial specialist to provide an impartial assessment.

Claims are segmented into groups with similar characteristics and which are expected to develop and behave similarly, for example bodily injury (attritional and large) and damage claims, with specific projection methods selected for each head of damage. Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in setting claims provisions through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

Allowance is made for changes arising from the internal and external environment which may cause future claim cost inflation to deviate from that seen in historic data. Examples of these factors include:

- changes in the reporting patterns of claims impacting the frequency of bodily injury claims;

- inflationary trends on the average cost of bodily injury and damage claims;
- the likelihood of bodily injury claims settling as PPOs (being court compensation awards with an inflation-linked annuity element);
- changes in the regulatory or legal environment that lead to changes in awards for bodily injury claims and associated legal costs; and
- changes to the underlying process and methodologies employed in setting and reviewing case reserve estimates.

Implicit assumptions in the actuarial projections include average cost per claim and average claim numbers by accident year, future rates of claims inflation and loss ratios by accident year and underwriting year.

Estimation uncertainty also exists in relation to the allowance for expected credit losses in relation to the Admiral Money personal unsecured lending assets. Key areas of uncertainty include the assessment of the probability of default, and the determination and impact assessment of any forward-looking economic scenarios.

During periods of market disruption, exacerbated credit risk or illiquidity, it may be difficult to value some assets using the Group's methodology and estimates and assumptions may prove to be inaccurate. Further, rapidly changing credit and equity market conditions could materially impact the valuation of securities and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on the capital requirements, prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

Any downgrade or removal of the Group's financial strength credit ratings could adversely affect the Group's profitability

The Issuer has been assigned a financial strength rating of "A" by Fitch. Any downgrade or removal of the Group's rating could have a variety of adverse impacts on the Group including (i) damaging its competitive position, (ii) negatively impacting its ability to underwrite new insurance policies, (iii) increasing the levels of surrenders and termination rates of its in-force policies, (iv) increasing its cost of obtaining reinsurance, (v) harming its relationships with creditors or trading counterparties, (vi) adversely affecting public confidence in it and/or (vii) making it harder or impossible to finance the Group's activities. A realisation of these risks could adversely affect the prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

2. Risks relating to the structure of the Group, the scope and nature of its business and products

The Group is an international organisation operating in the UK, Italy, Spain, France, Gibraltar and the US, and with offices in Canada and India. The Group's core business is in the highly competitive UK car insurance market, although the Group also operates in several international car insurance markets, the travel and pet insurance markets in the UK, household insurance markets in the UK and France, the commercial vehicle insurance market and the consumer finance market in the UK.

This structure and strategic focus exposes the Group to a number of risks which are set out in the following paragraphs.

Adverse claims and reserving risk could have a significant adverse impact on the financial results and operations of the Group

The Group is exposed to reserving risk through its underwriting of insurance policies. Claims reserves in the financial statements of the Group may prove inadequate to cover the ultimate cost of open claims which are by nature uncertain.

In terms of car insurance, the Group is particularly exposed to large personal injury claims, where the claim amounts can be significant owing to the potential cost of care for any successful claimant and where the claim amounts can change significantly during the lifetime of the claim as a result of external risks such as changes in Ogden discount rates (these being the discount rate set by the UK government and used (among other things) by courts to calculate lump sum awards in bodily injury cases, which is to be amended in a review expected in 2024), increased use of PPOs and claims inflation. It is current practice for the Group

to use excess of loss reinsurance for very large claims; this mitigates the loss to the selected deductible amount.

Large personal injury claims can also be settled through the award of PPOs, in which indexed payments are made periodically over the lifetime of the injured party. Any changes in the number of personal injury claims and/or the propensity for claimants to settle personal injury claims using a PPO, relative to the estimates made when setting the technical reserves, would have an effect on the Group's underwriting ratios and profits. An increase in the utilisation of PPOs to settle personal injury claims in the UK would make the estimation of reserves for general insurance business increasingly complex and uncertain due to the increased range of assumptions required, such as the future propensity of such settlement methods, rates of inflation and mortality trends for injured lives.

In terms of impact, during this period, increased uncertainty in forecasting both the level and duration of the impact of higher inflation rates on claims reserves may lead to adverse run-off and higher claims costs than projected. PPO claims are capital intensive owing to increased uncertainty of the cost of significant claims over a longer term. Reinsurance recoveries will also occur many years into the future with a resultant increase in the associated credit or other non-payment risk. The fact that these claims take many years to ultimately settle increases the uncertainty around their estimation, which could have a material adverse effect on the Group's profits.

Further, outstanding claims provisions for the Group's business are calculated with reference to the best-estimate ultimate cost of all claims incurred but not settled at a given date. If the assumptions underlying the reserving basis were to prove incorrect, data used to estimate reserves proves inaccurate or actual claims experience were to be less favourable than the underlying assumptions, the Group may have to increase the amount of its general insurance provisions. If actual claims costs exceed insurance reserves, financial results could be adversely affected.

To the extent that the Group's reserves are estimated to be insufficient to cover the future cost of claims or administrative expenses, it will have to increase its reserves and incur a corresponding reduction in its profits in the period in which the deficiency is identified. In addition, if the Group's reserves are excessive as a result of an over-estimation of risk, it may set premiums at levels which are too high and potentially may not be able to compete effectively, which may result in a loss of customers and premium income. Conversely, if the Group charges premiums that are insufficient for the cover provided, it will suffer underwriting losses, leading to a reduction in earnings and impact its prospects, profitability and financial condition and the Issuer's ability to make payments in relation to the Notes.

The Group's profits are primarily derived from its UK car insurance business which particularly exposes the Group to risks affecting this business given the level of concentration

In 2022, the UK car insurance business comprised 62 per cent. of the Group's turnover (from continuing operations) with the international car insurance business comprising a further 22 per cent. (from continuing operations).

The predominance of the car insurance business in relation to the Group's total turnover leaves the Group more heavily exposed to the profits from such business and more exposed to the risks of the car insurance market, particularly the UK car insurance market. The car insurance market is susceptible to, amongst other things: (i) fluctuations in investment income in line with financial markets; (ii) fraudulent claims risks; (iii) heightened competition from other providers; (iv) the impact of changes in consumer demand for, and regulation of, ancillary products; and (v) cyclical patterns of market capacity and hence average premiums. Supply chain disruption and increasing vehicle repair and replacement costs also contribute to claims inflation in this market. Similarly, labour shortages and cost of living concerns will contribute to wage inflation impacting large bodily injury claims. The Group is specifically exposed to the resulting fluctuations in profitability due to the heavy concentration of profit in this sector.

Furthermore, as discussed in "Regulatory Overview – UK Regulation – Road Traffic 1998", certain Group entities are obliged to contribute to the Motor Insurers' Bureau ("**MIB**") as a result of the Group operating its UK car insurance business. In the case of *Lewis v MIB (Tindale)* the UK Supreme Court held that Directive (2009/103/EC) (the Motor Insurance Directive) is directly effective against the MIB thereby extending the liabilities of the MIB by compelling it to meet claims for uninsured motor accidents which occur on private land. While this could lead to increased MIB levies on insurers, the full implications are not yet known.

If the car insurance business ceases to be profitable, it could have a material adverse effect on the Group's business, prospects, profitability, financial condition and the results of its operations and therefore impact the ability of the Issuer to fulfil its obligations under the Notes.

The Group's underwriting assumptions and pricing models may not reflect its overall risk exposure

The Group's results are impacted by the consistency between its actual claims and expense experience, in terms of ultimate cost and timing of cash flows, and the assumptions and pricing models it has used in underwriting and setting prices for its products. These assumptions are based on a variety of factors which may include historical data, estimates, assumptions or individual expert judgements in respect of known or potential future changes and statistical projections of what the Group believes will be the costs and cash flows of its liabilities. If the Group's actual claims and expense experience differ from the underlying assumptions and estimates used in establishing such liabilities or pricing its business, or if the Group's pricing is different to the market price for similar insurance products, this would have an adverse effect on the Group's revenue generation, profit and financial position.

The Group is exposed to the risk that inappropriate premiums are charged for its insurance products leading to either insufficient premiums to cover claims cost or uncompetitive rates leading to reduced business volumes. This risk is increased during periods of high inflation leading to greater market uncertainty as well as weather-related claims spikes.

Statistical methods, models or individual expert judgements may not accurately quantify the Group's risk exposure, including if circumstances arise that were not observed in the historical data or anticipated, or if the data otherwise proves to be inaccurate or inappropriate. In addition, the statistical methods, models or individual judgements themselves may be flawed, leading to inaccurate pricing of risk despite access to accurate data and accurate assessment of other risks. The Group's ability to quantify risk exposure, and as a result price insurance products successfully, is subject to risks and uncertainties including, without limitation: exposure to claims inflation; changes in claims frequency; unanticipated legal and regulatory changes and costs; unexpected or new types of claims; changes in social or market trends, including customer and claimant behaviour; changes in economic conditions; potential inaccuracies in the data collected from internal or external parties and/or used within the modelling and pricing processes; incorrect or incomplete analysis of data; potentially inaccurate or inappropriate policy terms and conditions; inappropriate or incomplete purchase of reinsurance or receipt of related recoveries; assumptions on weather trends; changes in the internal operating environment within the Group; the selection of inappropriate pricing methodologies; and the uncertainties inherent in estimates and assumptions, including those used throughout the pricing and underwriting processes.

The actual claims payments may vary, perhaps significantly, from those estimated both in amount and in timing of payments, particularly if the payments occur well into the future. This may have an adverse effect on the Group's business, results of operations, prospects, profitability and financial position and it may be necessary for the Group to increase prices for future insurance policies and to set aside additional reserves for existing, previously written policies, as well as increasing the capital it will be required to hold due to the increased uncertainty around future profitability. This in turn could impact the Issuer's ability to make payments under the Notes.

Catastrophic events (including those exacerbated by climate change) could result in material losses and an abrupt and significant interruption to the Group's business activities and make it more difficult to provide insurance cover at prices customers can afford

The Group's business is exposed to volatile natural and man-made disasters such as floods, windstorms, terrorism, riots, fires and explosions. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters and created additional uncertainty as to future trends and exposure. The Group's UK household insurance business is particularly exposed to the effect of extreme weather events which could result in a higher frequency and/or severity of losses than that which is priced for, thus reducing the profits from any such business. In terms of the impact, this could lead to higher claims costs, reduced business volumes and/or higher loss ratios, resulting in reduced profits or underwriting losses. A large flood or windstorm, causing extensive property damage (both motor and household) to a significant proportion of the portfolio, could lead to a larger than anticipated total claims cost. The risk of increased claim costs could also be driven by potential economic, social, environmental, regulatory or political change, such as the Russia-Ukraine conflict, impacting supply chains.

Furthermore, it is possible that natural disasters and terrorism could disrupt operations and result in significant loss of property, key personnel and information about the Group and its customers. Business continuity plans are unlikely to provide effective contingencies for all such events which could therefore adversely affect the Group's business, results of operations, corporate reputation and financial condition. It is impossible to accurately predict the likelihood, timing or severity of any future catastrophe.

Excess of loss reinsurance has been purchased by the Group to mitigate the impact of catastrophic events, but the impact of such an event could nonetheless have a material adverse impact on its operations.

Climate change could lead to system-level shifts in conditions in the natural environment. A higher frequency and severity of extreme weather events, as well as increased chronic physical risks and increasing claims costs directly, could increase the cost of reinsurance protection for insurers. Climate change could impact reinsurance structures if more events are hitting reinsurance layers, potentially leading to changes in terms and conditions or premiums.

The impact of this risk is the potential need for the Issuer to raise additional capital to support an increased underwriting share and its profitability may be affected as a result. Additionally, if the Group needs to raise prices to cover increased costs from more frequent catastrophic events as a result of climate change, it may not be able to offer products at prices which its customers can afford, affecting sales volumes and overall profitability. The realisation of these consequences could adversely impact the prospects and financial condition of the Group and the Issuer's ability to make payments under the Notes.

Any of the Group's international and/or non-core operations could result in losses or issues detrimental to the Group as a whole

There is the potential that one or more of the Group's international or non-core operations could fail to become a sustainable, profitable long term business. The impact of this could be severe, with higher losses than anticipated, distraction of key management, potential closure costs and negative publicity flowing from the effects of this.

Product expansion into new areas could lead to unprofitable business, could increase regulatory risk, and may introduce new risks into the Group. A collective failure of these businesses would threaten the Group's objective to diversify its earnings by expanding into new markets and products, though any single failure of product or geography is likely to be tolerable. The Group's approach to expansion and product development remains conservative, applying a test-and-learn philosophy. The overseas insurance and loans businesses have executed cautious strategies and the insurance businesses are all backed by proportional reinsurance support which provides substantial mitigation against start up losses in the early years of the business. Growth in developing businesses could exceed the scale of infrastructure of the operations of such businesses. Launching new businesses may also introduce the risk of management stretch and so the Board regularly assesses the suitability of the management structure in place for the Group's international/non-core operations.

However, in the event that the Group is unable to effectively manage its international and/or non-core operations there could be an adverse effect on the prospects, profitability and financial condition of the Group and impact the Issuer's ability to make payments under the Notes.

Inability of reinsurers and co-insurers to meet their obligations, or the unavailability of adequate reinsurance and coinsurance coverage, could have an adverse impact on the Group's profitability and available capital

The Group uses proportional co-insurance and excess of loss reinsurance across its insurance businesses to reduce its own capital needs (and to increase the return on the capital it does hold) and to mitigate the cost and risk of establishing new operations. See further "*Description of the Issuer – Underwriting Income and Profit Commission – Co-insurance and reinsurance*".

There is a risk that such co-insurance and reinsurance support will not be available in the future or that it will be available at an uneconomical price in the future if the results and/or future prospects of the business are not satisfactory to the co-insurers and/or reinsurers; this is a particular risk with newer business lines where the risk of underperformance is potentially higher. In this event, the Group would be required to raise additional capital to support underwriting or to significantly reduce business volumes. The inability or unwillingness of the Group's reinsurers to meet their financial obligations or disputes / defects in relation

to reinsurance contract wording or processes could materially affect operations. The Group is therefore exposed to settlement risk by its reinsurance counterparties, but this is mitigated by the spread of reinsurance risks across a strongly-rated and diverse range of reinsurers and by agreeing reinsurance arrangements that are relatively long term in nature.

In addition, the reinsurance entities with whom the Group is partnered may become financially unsound by the time they are called upon to pay amounts due, which may not occur for many years. As such, the Group's business profitability could be significantly affected by having to meet its liabilities to policyholders out of its own assets whilst having paid premium to off-set risks in respect of such liabilities. These liabilities could adversely affect the prospects and financial condition of the Group and the Issuer's ability to make payments under the Notes.

The Group's businesses are conducted in highly competitive environments and continued profitability depends on the Group's ability to respond to these pressures

There are many factors which affect the Group's ability to sell its products, including price, financial strength, range of product lines and product quality, distribution channels, brand strength and name recognition.

In the UK and international car insurance markets, the Group faces high levels of competition for brand presence and competitive premiums. It also has to deal with new entrants in this space including new fintechs and insurtechs.

The UK business is dependent on the four main UK price comparison websites as an important source of new business and growth. There is the risk that growth in this distribution channel could slow, cease or reverse, or the Group could lose one or more of the websites as a source of customers. This in turn could lead to a potentially material reduction in the UK car insurance new business volumes.

Competition is likely to intensify across all business lines in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors, with a particular increase in competition in pricing. The ability to generate an appropriate return depends significantly upon the Group's capacity to anticipate and respond appropriately to these competitive pressures and if the Group fails to respond appropriately this would have a material adverse effect on the Group's prospects, profitability and financial condition and/or impact the Issuer's ability to make payments in respect of the Notes.

The cyclical nature of the general insurance industry may cause fluctuations in the operating and financial results of the Group and adversely affect its profits

Historically, the general insurance industry has been cyclical; operating and financial results of insurers have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any insurer. Although the Group has a geographically diverse group of international general insurance business, it is highly possible that the Group will experience the effects of the cyclical nature of the general insurance industry, including changes in sales and premium levels, which could have a material adverse effect on the results of its operations. The unpredictability and competitive nature of the general insurance business historically has contributed to significant fluctuations in underwriting results and profitability in the general insurance industry. The Group is particularly exposed to this risk by the concentration of its core business in the UK car insurance market (as mentioned above, this constitutes 62 per cent. of Group turnover (from continuing operations) in 2022).

The realisation of this risk could have adverse consequences for the Group, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for the Group, any of which could adversely affect its business, prospects, profitability, results of operations and financial position and the Issuer's ability to make payments under the Notes.

Insurance fraud may adversely affect the Group's financial results

Fraudulent insurance claims may be made from time to time which the Group is unable to detect, despite having extensive fraud prevention systems and processes in place. The volume, value and frequency of fraudulent claims may increase from time to time for various reasons and if not detected and inadvertently paid, can impact on anticipated claims volumes and matching reserves resulting in adverse effects on the profits and results of operations of the Group.

The Group is at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased and from policyholders who fabricate claims and/or inflate the value of their claims. The Group is also at risk from members of its staff who undertake, or fail to follow procedures to prevent, fraudulent activities.

Insurance fraud risk increases for the Group during times of economic uncertainty and volatility.

In order to mitigate the risk of fraudulent practice, the Group continues to make material investments in staff and systems to work on the identification and prevention of claims fraud and these measures are regularly reviewed. If the Group fails to adequately mitigate this risk, it could be exposed to large numbers of fraudulent claims which would impact its prospects, profitability, results of operations and financial condition and the Issuer's ability to make payments under the Notes.

The Group is dependent on the strength of its brand and the Group's reputation with customers and agents in the sale of products and services

While the Group is well recognised as a provider of general (predominantly car) insurance by potential customers, it is vulnerable to adverse market and customer perception. It operates in an industry where integrity, customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information, data loss and inadequate services, amongst others, whether or not founded, could adversely affect brands or reputation. Any of the Group's brands or the Group's reputation could also be adversely affected if products or services recommended by the Group (or any intermediaries) do not perform in line with customer expectations which could reduce the profits of the Group from reduced sales.

The Group's short-term business model could also be materially and adversely affected by the failure of service providers and business partners on which the Group relies or partially relies to provide services and grow the business. As a result, this could impact the Group's prospects, profitability and financial condition and the Issuer's ability to make payments under the Notes.

The Group is exposed to operational risks which could adversely affect its business

Operational risk arises within all areas of the Group. The principal categories of operational risk for the Group are: conduct risk; physical security risk; technology risk; information security/cyber risk; business continuity and operational resilience; process risk; change risk; people risk; data governance risk; and outsourcing and procurement risk.

The impact of such risks could be:

- potential customer detriment and/or potential regulatory censure / enforcement and/or reputational damage as a result of the Group's action or inaction;
- potential litigation which could be costly (particularly in the US) and cause reputational damage to the Group;
- the Group being unable to service its customers or making poor business decisions due to lack of system availability, data integrity and/or data confidentiality or due to the failure of a critical outsourced service;
- the risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal and outsourced projects, processes and systems, or from people related, hybrid working or external events; and
- losses that could materialise if the internal control framework managing business processes fails.

In order to mitigate against this risk, the Group operates a three lines of defence model, and internal controls are in place and are monitored. The control framework is regularly reviewed, and the internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls. However, if the Group is not successful in mitigating these risks the prospects, profitability, financial condition and results of operations of the Group could be adversely impacted and the Issuer may not be able to make payments in respect of the Notes as they fall due.

Conduct risk

The Group is also exposed to the risk that decisions, acts, omissions, errors, misconduct and other behaviours of its directors, employees or agents result in unfair treatment of customers or clients, or otherwise detrimental customer, client, employee or other stakeholder outcomes. This might arise where, inter alia, the Group fails to design or maintain appropriate policies and procedures, to communicate appropriately with customers or clients, to deal with complaints efficiently, to ensure that its processes deliver appropriate outcomes for customers or to provide appropriate advice to customers or clients. The Group might also be exposed to conduct risk by the conduct or misconduct of employees, over which the Group only has limited control by way of employee policies and procedures.

Conduct risk is an area of close regulatory scrutiny and a failure by the Group (or its employees) could result in action by regulators against both individuals and the Group. This could in turn lead to regulatory or legal censure, financial penalties, prosecution, reputational damage, other non-budgeted operational risk losses, and/or suspension or revocation of regulatory permissions, licences or approvals, which could in turn have a material adverse effect on the Group's business and prospects.

The Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects similar conditions to continue for the foreseeable future, in particular relating to compliance with new and existing corporate governance, employee compensation, conduct of business (see further "*Impact of the Consumer Duty*" and "*General insurance pricing practices*"), product governance, anti-money laundering, anti-terrorism and sanctions laws and regulations, as well as the provisions of applicable sanctions requirements. Regulatory investigations and/or enforcement actions against the Group in relation to anti-money laundering, anti-terrorism and sanctions, laws or regulations could result in fines, other sanctions, including payments with respect to liabilities relating to historical business, and immediate reputational and regulatory risks, and could materially adversely impact its business, prospects, results of operations and financial position.

Technology, information security and cyber risk

The Group, like other institutions, is subject to risks such as cyber-attack and similar malicious activities as well as technology failures that may impair the information and technology systems on which the Group relies. Such attacks or failures could result in the shut-down of core services relied upon by the Group. As a large financial institution, the Group, along with other international insurance groups, is susceptible to potentially significant disruptions and loss of data that could be caused by attacks on, or failure of, the information and technology systems that are so vital to the business. Such risks continue to rise as a result of increasing criminal sophistication and increasing geo-political tensions.

If an actual or perceived breach of the Group's information and technology systems (including external systems on which the Group relies) occurs, it could impair the Group's ability to operate parts of its business and provide products and services to its customers, including a loss of data on which the Group relies in order to provide these products and services, and to manage its liabilities and its investments. It may also have difficulties in meeting policyholder liabilities, attracting new customers and preserving its existing customer base. Consequently, the financial condition of the Group and its reputation could be harmed, its revenues could decline and its business could suffer.

Data governance risk

The Group is reliant on data management and efficient administration of policies and claims for its business efficiency, services to customers and its profits and if there are issues with the way the Group manages data or inefficiencies in process this could impact the Group's operations.

The Group is also required to comply with data protection and privacy laws and industry standards in the UK and the countries of residence of the Group's customers. This includes compliance with Regulation (EU) 2016/679 (the "**GDPR**") including as it forms part of UK law by virtue of the EUWA. The GDPR imposes a high compliance burden in the industry on companies who retain customer data and may impair ability to use data. It significantly increases the cost of non-compliance for the Group, both in terms of potential financial penalties and broader reputational damage.

Business continuity and operational resilience

The systems and processes on which the Group is dependent to serve customers are designed to ensure that the operational risks associated with the Group's activities are appropriately identified and addressed. However, activities may nonetheless fail due to technology malfunctions, human error, business interruptions, non-performance by third parties, internal technical change, fraud or other external events. As a significant amount of the Group's data is stored in the cloud, it is also at risk of failure of one of its cloud service providers and/or a misconfiguration risk giving rise to new cyber vulnerabilities. Any of these events could disrupt business operations resulting in material reputational damage, financial penalties and the loss of customers, which would have a consequent material adverse effect on the Group's profits.

While the Group does have in place disaster recovery and business continuity contingency plans, the occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or outsource arrangements, could have a material adverse impact on the Group's business, prospects, results of operations or financial position.

The risk of IT and business disruption may be heightened as firms undergo transformation change which seeks to replace legacy systems with alternative, digital approaches.

Adapting to new technology

Advances in vehicle technology, such as electric and autonomous vehicles, and other innovations such as usage-based methods of determining premiums or technologies that facilitate car-sharing, fleet and leasing, can impact pricing, and could materially disrupt the demand for the Group's products from current customers. The Group's competitive position could be impacted by its ability to deploy technology that collects and analyses a wide variety of data points so as to make underwriting or claims decisions.

Similarly, the Group's business prospects could be impacted if the growth in Artificial Intelligence ("AI"), particularly generative AI, results in significant market disruption and loss of the Group's competitiveness or creates unforeseen risks should the Group use such technology inappropriately.

If the Group is unable to adapt to changes in technology and the increased competitive risks they create or if the car insurance business ceases to be profitable, then it could have a material adverse effect on the Group's business, prospects, profitability, financial condition and the results of its operations and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

The failure to attract or retain key personnel could have a material adverse effect on the Group's results and/or financial condition

The Group is dependent on key executives and its senior management and the continued success of the various businesses are dependent on, among other factors, the ability to attract, develop and retain highly qualified professionals. The Group's continued ability to attract, develop and retain key people, and in particular directors and other senior managers, is dependent on a number of factors, including prevailing market conditions, brand and reputation, and compensation packages offered by companies competing for the same talent.

The loss of key personnel could cause disruption and loss of profitability in the Group's business, as could the failure to attract additional key personnel in business areas of growth. In addition, if the Group were to lose a significant number of claims management employees, an area of specific expertise, the ability of the Group's claims departments to assume an increased workload could be adversely affected and a subsequent decrease in quality of claims handling and reduction in operating margins may follow.

To manage this risk the Group invests considerable time and money into the training and development of its staff. After 12 months employment, all staff members are awarded shares in the Group on identical terms ("**Approved Free Share Incentive Plan**"), which seeks to ensure employees' interests are aligned with those of the shareholders. In terms of directors and senior management, the Group offers competitive salaries with attractive performance-related incentives as well as a discretionary award system subject to Group performance and continued employment ("**Discretionary Free Share Scheme**"). The risk to the Group of retaining key executives and senior management may increase considerably on expiry of such incentive arrangements if no equivalent incentive plans are put in place thereafter, or in the event of a material fall in the Group share price as discretionary pay would decrease.

If the Group is unable to retain personnel when required for its business this could have an adverse effect on the prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

Risk processes and procedures may leave the Group exposed to unidentified or unanticipated risk, which could negatively affect the business

The Group's Risk Committee has devoted significant resources to developing the Group's risk management framework including monitoring the Group's risk exposures, overseeing risk management policies and procedures and ensuring the adequacy and effectiveness of the Group's compliance functions. Nonetheless, these policies and procedures may not be comprehensive, fully understood or always complied with and, as a result, may not be universally followed across the different businesses within the Group.

Many of the methods for identifying and managing risk and exposures are based upon the use of observed historical market behaviour or statistics based on historical models. As a result, although subject to expert judgement and oversight by the business, these methods may not fully predict future exposures, which can be significantly greater (or lower) than historical measures indicate, particularly in unusual markets and environments.

Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up-to-date or properly evaluated. The implementation and accuracy issues referred to above in respect of risk processes and procedures could have a negative impact on the profitability, prospects and financial condition of the Group and exacerbate the impact of other risks of the Group referred to in these "Risk Factors" if not properly and regularly monitored and/or impact the Issuer's ability to make payments in respect of the Notes.

3. Risks relating to the regulatory and legislative environment, including those relating to accounting standards and taxation

The Group's regulated business is subject to extensive regulatory supervision, with such regulation being subject to proposals for future changes which may result in adverse impacts for the Group, increasing compliance costs in relation to such laws and regulations

Legal and regulatory risk may arise where the Group fails to fully comply with legal or regulatory requirements and/or changes in an accurate, timely manner. Examples include compliance with the FCA's new Consumer Duty and general insurance pricing practices. This risk may also arise where previous industry and/or regulatory or legal compliance standards are revisited, with negative consequences, applied retrospectively, for the industry and/or the Group. As the Group operates globally, across business lines and products, it is exposed to a number of differing legal jurisdictions and regulators.

Failing to meet increasing expectations from regulators, legislators, and shareholders around climate change and the environment could potentially lead to exposure to legal and regulatory risk. There is also a risk of not meeting the expectations of a customer base who is increasingly concerned with green credentials. In the longer term, the impact from not meeting increasing expectations could be serious.

The impact could be exposure to regulatory intervention, censure and/or enforcement action through fines and other sanctions.

The conduct of the Group's business is subject on an ongoing basis to significant regulatory supervision in the UK, Europe, the US and Gibraltar. Insurance underwriting and insurance intermediary services are activities that are highly regulated in the UK, US and Europe and such regulation is still largely based on requirements contained in relevant European Union (the "EU") directives despite the UK's withdrawal from the EU.

Laws, regulations and policies currently affecting the Group may change at any time in ways which may have an adverse effect on the Group's business. Furthermore, it is difficult to predict the timing or form of future regulatory change across areas in which the Group operates.

The Group's business is subject to regulation by various regulators, including both the UK Prudential Regulation Authority (the "PRA") and FCA in the UK, the Gibraltar Financial Services Commission (the "GFSC") in Gibraltar, the *Dirección General de Seguros y Fondos de Pensiones* ("DGSFP") in Spain, the

Autorité de contrôle prudentiel et de résolution and ORIAS (the French register of insurance intermediaries) in France and the Bank of Italy and the *Istituto per la Vigilanza sulle Assicurazioni* ("IVASS") in Italy, each of which has broad powers under local legislation, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation. The Group's US insurance operations are regulated by the Virginia State Corporation Commission's Bureau of Insurance.

The FCA has authority to investigate selling practices and anti-competitive practices and the PRA has authority to require information and action necessary, in their opinion, relevant to the stability of the UK financial system and to provide protection for policyholders. Together, the PRA and the FCA have the power to take a range of investigative, disciplinary or enforcement actions; including private and public censure, restitution, fines or sanctions and to award compensation. The PRA and the FCA may make enquiries of the companies which they regulate regarding compliance with regulations governing the operation of business and, as with all regulated financial institutions, the Group is at risk that either the PRA or the FCA may identify the Group as having failed to comply with any applicable regulation. In addition, the Group's regulated insurance operations in other jurisdictions are subject to similar regulatory powers. For further details as to the Group's UK and Gibraltar regulatory framework, please see the section entitled "*Regulatory Overview*".

Regulatory supervision is a feature of the financial services landscape. The PRA or the FCA, as appropriate, may from time to time make enquiries of the Group regarding its compliance with particular regulations governing the operation of its Group's business. In recent years, the financial services industry and financial products have increasingly been the subject of investigation and regulatory activity by various governmental, supervisory and enforcement authorities. The areas of the Group's business described below are of particular risk to action from insurance regulators. Further, as the regulatory approach of the PRA and the FCA evolves, there may be further changes to the nature of, or policies for, prudential regulation and conduct of business supervision, including as a result of the withdrawal of the UK from the EU, which could lead to a period of uncertainty for the Group. Such changes in legislation or regulation or actions by these or other regulatory bodies could result in increased compliance costs for the Group, which may result in reduced competitiveness against certain participants in the relevant markets. Regulatory authorities have broad powers over many aspects of the Group's business - including marketing, selling and pricing practices, product development and structures, data and records usage and management (including customer financial and personal data), systems and controls, health and safety, capital requirements, permitted investments, corporate governance and senior management accountability - and have the ability to impose restrictions on the future growth of the Group's business. Generally speaking, financial services regulators are concerned with the Group's financial stability and conduct in order to protect financial markets and consumers.

The realisation of the legal and regulatory risks detailed in these risk factors could have a material adverse effect on the prospects, profitability and financial condition of the Group and/or impact the Issuer's ability to make payments in respect of the Notes.

Legal and Regulatory actions

Regulatory issues and disputes may arise from time to time from the way in which the insurance industry has sold or administered an insurance policy or the way in which they have treated policyholders or customers, either individually or collectively. The same may occur in respect of consumer credit products sold to customers.

In the UK, such disputes are typically resolved by the Financial Ombudsman Service or, failing this, through litigation. However, the FCA may intervene directly where larger groups or matters of public policy are involved. The FCA can conduct industry-wide investigations into certain products, selling practices or other aspects of UK financial services businesses. Following an investigation, the FCA may determine that the Group has failed to comply with applicable regulations or, following such a determination, has not undertaken corrective action where required. There have been several industry-wide issues in where the FCA has intervened directly, such as the widespread mis-selling of payment protection insurance. The FCA has also carried out industry wide thematic reviews of specific products or processes with which it has concerns. In addition, the Office of Fair Trading ("OFT") is able to take action to protect consumer interests. The Competition and Markets Authority ("CMA") may also conduct investigations into the competition in certain sectors and impose sanctions on firms.

Future changes required, or regulatory actions / interventions, by the OFT, the CMA or the FCA as a result of such investigations may have adverse consequences for the Group's business in particular through a potential increase to compliance costs associated with any new regulations or requirements to make redress payments or pay fines following any sanctions on the Group. Depending on the regulatory environment and treatment of comparable insurance and other financial services firms, the Group may decide to put aside provisions for potential regulatory actions or interventions for future actions in this area.

The Group is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business. These actions could involve a review of business sold in the past under what were perceived to be acceptable market practices at the time, changes to the tax regime affecting products and regulatory reviews on products sold and industry practices. Such enquiries or investigations could also affect the Group's relations with current and potential customers, as well as divert management's attention away from the day-to-day management of the Group's business. This could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

The Group faces a risk of legal actions and disputes in the ordinary course of its business. Legal actions, disputes and investigations and sanctions may relate to aspects of the Group's businesses specifically or that are common to companies that operate in the Group's markets more generally. Legal actions and disputes may arise under contracts, regulations (including tax) or from a course of conduct taken by the Group. Given the large or indeterminate amount of damages sometimes sought, and the inherent unpredictability of litigation and disputes across the markets in which the Group operates, it is possible that an adverse outcome could, from time to time, have an adverse effect on the Group's results of operations or cash flows.

The impact of the Group being found to be non-compliant by any such enquiry, regulatory action and/or investigation is difficult to assess or quantify. Failure to comply with existing or future laws or regulations, including regulations relating to the sale of insurance products, claims handling, discrimination on the basis of protected characteristics, operational and business controls and protection of customer data, could lead to regulatory investigations or censure, the imposition of significant fines or other financial penalties, including compensation orders, prohibition on operations and other penalties. Any non-compliance or perception on the part of contractual counterparties, customers or regulators that the Group is non-compliant with relevant laws and regulations may lead to cancellation of existing contracts or impair the Group's ability to win future business or result in a decrease in demand for the Group's products and services.

UK prudential and capital adequacy requirements

The Group is currently required to operate in accordance with the PRA's rules that are currently derived from Directive (2009/138/EC) ("**Solvency II**"), that govern the prudential regulation of insurers and are primarily located in the PRA's Rulebook. These provisions are described in "*Regulatory Overview – Prudential requirements*".

Supervision by the PRA of the Group is conducted at the level of the Issuer, being the ultimate parent undertaking with its head office in the UK. In broad terms, group supervision is intended to properly reflect the risk exposures of a group and requires that a group has sufficient own funds to cover its solvency capital requirements and that the own funds are appropriately distributed within the group and available where needed.

In addition, for a variety of reasons (including an increase in the risk profile of peer companies of the Group and the industry as a whole, or adverse changes in the specific current or potential future risk profile of the Group's individual businesses), the Board is likely to decide to hold higher surplus above minimum regulatory capital requirements. The PRA might also enforce additional capital to be held if, in the PRA's view, the standard formula solvency capital requirements do not reflect the Group's risk profile appropriately (e.g. through Individual Capital Guidance from the PRA to the Group).

If the Group is unable to meet its solvency capital requirements and minimum capital requirements under Solvency II or the final Solvency UK (as defined below) reforms, the PRA may intervene and require the Group to take certain steps to restore its regulatory capital to acceptable levels, for example, by requiring the Group to cease to write or reduce writing new business. The Group may also have to raise additional capital to meet regulatory capital requirements. Any increase in its capital requirements may have an adverse impact on the operations and business of the Group.

Similar prudential regulatory requirements apply to individual insurance subsidiaries including Admiral Insurance (Gibraltar) Limited (as underwriter of the majority of the UK business) as well as in respect of the Group as a whole.

Changes in legislation, regulation, regulatory requirements or market conditions in any of the Group's jurisdictions may result in the Group being unable to meet capital adequacy requirements in the future. The failure of the Group to meet these capital requirements may have an adverse impact on the operations and business of the Group and may lead to intervention by the PRA which, in the interests of customer security, could be expected to require the Group to take steps to restore regulatory capital to acceptable levels, potentially by requiring the Group to raise additional funds through financings or to reduce or cease to write new business. In some circumstances, it may also lead to the PRA limiting or revoking the permissions which the Group requires to carry out insurance business, which could materially impact the Group's results of operations or its financial position.

In addition, fluctuations in fixed income and equity markets could, directly or indirectly, affect the levels of regulatory capital held by the Group. The Group's capital position could be adversely affected by a number of factors that erode its capital resources, impact the quantum of risk to which it is exposed or reduce the value of its assets. The assets of the Group include investments that are subject to market pricing changes. If the valuation of these investments was to decline materially in future, the Group may be exposed to a reduction in its regulatory capital resources, which in turn may reduce the Group's financial flexibility and have a material adverse effect on its businesses, financial condition, results of operations and prospects in future periods and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

Impact of the Consumer Duty

On 27 July 2022, the FCA published its policy statement and final rules and guidance setting out how it intends to implement its new Consumer Duty (the "**Consumer Duty**") in Policy Statement 22/9 and Final Guidance 22/5. See "*Regulatory Overview – Consumer Duty*". Under the FCA's new Consumer Duty, all financial services firms, including consumer credit firms, insurers and insurance intermediaries, will need to ensure that their products and services provide fair value to retail customers who are within the scope of the Consumer Duty for all new and existing products and services. The Consumer Duty will set higher and more exacting standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers, with an initial implementation deadline of 31 July 2023. Firms will need to monitor, evidence and report against many of the new regime's requirements. If the Group fails to comply with the new regime, it may face reputational damage, penalties imposed by the FCA or costs and payments associated with any investigations and/or required remediation, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any increase in the cost of compliance with, or decrease in income as a result of, the implementing the Consumer Duty could have a materially adverse impact on the Group's business, financial condition, results of operations and prospects and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

The FCA's cross cutting rules mean that consumers should get communications that they can understand, products and services that meet their needs and offer fair value, and they get the customer support they need, when they need it. The FCA has noted that in particularly competitive areas of insurance, such as motor and household insurance, given the focus on price, insurers must be especially vigilant to ensure that consumers are aware of the extent of policy coverage and ensure that areas such as claims-handling procedures are highlighted prior to any purchase of insurance. The FCA noted in its finalised guidance on the fair treatment of vulnerable customers (FG21/1) the importance of firms providing an appropriate level of care in relation to vulnerable customers accessing insurance products.

Impact of proposed UK reforms to Solvency II

Solvency II, which governs insurance industry regulation and prudential capital requirements in the EU, became effective in EU member states on 1 January 2016 (and forms part of retained EU law in the United Kingdom). Solvency II, being a Directive, was transposed into UK law mainly through rules adopted by the PRA, with some rules adopted by the FCA, each underpinned by the UK Solvency II Regulations 2015 (SI 2015/575) which made amendments to various UK legislative provisions, including the FSMA. The UK withdrew from the EU on 31 December 2020 but retains a regime which is still based on the retained version of Solvency II, which has been adapted to apply to the UK only. On 17 November 2022, HM Treasury set out the government's final reform package for a new Solvency UK regime following

withdrawal from the EU ("**Solvency UK**") (for further details, please see "*Regulatory Overview – Solvency II*").

In addition, in December 2022 the Chancellor announced a set of reforms to drive growth and competitiveness in the financial services sector, known as the "**Edinburgh Reforms**". The reforms are intended to take advantage of the UK's position outside the EU and sets out how the framework for financial services regulation will adapt to support a competitive financial services sector in the UK and includes issuing new remit letters for the PRA and FCA with targeted recommendations on growth and international competitiveness.

The reforms of Solvency II in the UK as currently proposed will change the capital requirements for UK-based insurance companies by requiring the utilisation of a more flexible risk-based approach. Furthermore, the Solvency II framework is also currently under review following the publication by the European Commission on 22 September 2021 of legislative proposals for a comprehensive amendment of such framework (for further details, please see "*Regulatory Overview – Solvency II*"). The Solvency II reforms and the divergence in EU and UK regulations will present short term regulatory compliance complexities and costs for the Group. Any changes to the Solvency UK regime, including as a result of the proposed Edinburgh Reforms, could result in increased compliance costs for the Group, with an adverse effect upon the Group's business, financial condition, results of operation and prospects and/or impact the ability of the Issuer to fulfil its obligations under the Notes. This may also require management to divert significant time and attention to the implementation of such changes and/or transitional arrangements, potentially to the detriment of the day-to-day running of the Group's business. The Group cannot predict the timing, form or extent of any future legal, regulatory, accounting or tax initiatives or prospective or retrospective legislative or court decisions impacting the Group's business or the Group as a whole.

Under the Edinburgh Reforms, a substantial transfer of powers and responsibilities to regulators may impact the Group's regulatory capital requirements. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

While no proposals relating to the characteristics of own funds items have been made as at the date of this Prospectus, there is the further risk that under Solvency UK reforms, once finalised and implemented, the Notes will cease to be capable of counting as Tier 2 capital to cover capital requirements. In these circumstances, the Group may be able to exercise its contractual right to redeem the Notes at par value and there is a risk that refinancing the existing debt or issuing further regulatory capital could prove expensive, difficult or impossible on comparable terms, the results of which could have a material adverse effect on the Group, including its business and financial condition. Further information on this risk is provided in "*Risks Relating to the Notes*" set out below.

Further, similar to the current Solvency II framework, Solvency UK reforms may also include provision for assessments of solvency regimes and systems of group supervision of non-EU or non-UK countries ("**third countries**") in order to determine whether these third countries can be treated as "equivalent" for Solvency UK purposes. Though it appears likely that the US will be treated as provisionally equivalent, there is no certainty that this will be the case. Given that the Group has a US car insurance operation, if the US is not treated as equivalent for the purposes of Solvency UK this could, among other things, result in higher capital requirements for the Group which could have adverse effects on the Group's operations and profitability.

*UK Exit from the European Union ("**Brexit**")*

To support market access between the UK and Gibraltar, HM Treasury has published five Statutory Instruments: The Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2019, The Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019, The Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2020, The Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2021 and The Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2022. The first relates to the continuation of the deemed passport rights of Gibraltar-based firms into the UK. The second preserves the overall pre-Brexit regulatory position. The remaining three extend the transitional arrangements established by The Financial Services (Gibraltar) (Amendment) (EU Exit) Regulations 2019 to 31 December 2023 on an annual basis.

As a consequence of the EU's negotiating mandate, which it adopted in February 2020, Gibraltar was not within scope of the UK-EU trade and co-operation agreement. To that end, the UK, working side by side with the Governments of Gibraltar and Spain, reached agreement on 31 December 2020 over a political framework to form the basis of a separate treaty between the UK and the EU regarding Gibraltar. The detail of this separate treaty is, however, uncertain and subject to negotiation between the UK and the EU. Therefore, the detail of any agreements between the UK and the EU regarding Gibraltar may significantly impact the Group's operations in Gibraltar and depending on the nature of such agreements may have an effect on the prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

General insurance pricing practices ("GIPP")

The FCA published its final Policy Statement 21/5 on general insurance pricing practices for home and motor insurance (and additional policies sold alongside those products) at the end of May 2021, supplemented by Policy Statement PS21/11 in November 2021, setting out requirements for home and motor insurance renewal pricing, regular product assessments to ensure that fair value is provided to consumers, new reporting and product governance and the ability for policyholders to easily opt out of automatic renewal of policies. These regulatory requirements were fully effective from January 2022 and are intended to ensure effective competition and appropriate consumer protection in this area, including:

- a ban on 'price walking' for home and motor insurance. Firms will need to offer a renewal price to consumers which is no greater than the equivalent new business price ("ENBP") which a new customer would be offered. The ENBP will take into account any changes in the consumer's risk information, so that it reflects their actual risk (whether this has increased or decreased since the start of the policy);
- rules to ensure that firms deliver fair value to their customers and have appropriate governance arrangements in place to monitor this. All general insurance products will need to be reviewed at least annually, although more frequent reviews are required for products with a higher associated risk of not delivering fair value;
- provisions to ensure that consumers are provided with a range of accessible ways in which to opt out of auto-renewal of their policies. These rules apply to all types of retail insurance products; and requirements for annual reporting of pricing information for retail home and motor insurance.

See further "*Description of the Issuer – Pricing and Claims Management*"

The risk to the Group, in line with other participants in the UK general insurance market is that firms' implementation of GIPP may not be in line with FCA's expectations of the requirements that have been set out. During 2023, the FCA is undertaking thematic reviews across the market to assess how firms have implemented the rules and to examine the impact that the rules have had on the market since implementation 12 months ago.

Adverse changes in relevant laws, regulations, policies and their interpretations may have an adverse effect on the Group's business

The Group could be exposed to changes in laws and/or regulations that can be applied retrospectively to policies written in prior years. For example, the use and regulation of artificial intelligence and machine learning technology (elements of which are used in the Group's operations) is increasingly the subject of regulatory attention and is the focus of the FCA, PRA and Bank of England joint discussion paper DP5/22 and DP22/4. Further, the risk of further changes to and interpretations of UK, European and international laws and regulations may increase following the widespread emphasis on more risk-based systems in financial regulation. Conceivably this could include insurance market wide customer redress for certain policy types, customer groups, premiums, or fees/charges. Government policy, legislative and regulatory requirements and interpretations thereof may change and become more onerous or constraining and may weaken or eliminate markets in which the Group operates.

A determination that the Group has failed to comply with applicable regulation could have a negative impact on the Group's reported results or on relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for the Group and/or could have a material adverse effect on the Group's business results (for example, through reduced sales) and consume

a considerable amount of the management's time from the day-to-day management of the business. Regulatory action could also result in large fines which could directly reduce the profits of the Group.

Furthermore, legal and regulatory risk relating to the UK's exit from the EU could adversely impact the Group's business, operations, financial condition and prospects. Following the UK's withdrawal from the EU, the Group and its subsidiaries in the UK have ceased to be subject to EU law but EU law continues to apply to the Group's EU subsidiaries. The Retained EU Law (Revocation and Reform) Act 2023, which received Royal Assent on 29 June 2023 (the "**Retained EU Law Act**") sunsets some retained EU law so that it expires on 31 December 2023 and allows the government to extend the sunset date for specified legislation up to 23 June 2026. However, this sunset mechanism does not apply to retained EU law covered by Schedule 1 to the Financial Services and Markets Act 2023, which also received Royal Assent on 29 June 2023 ("**FSM Act**") or to rules of the UK financial services regulators (please see the applicable sections under "*Impact of proposed UK reforms to Solvency II*" for further details on the FSM Act) although it may affect financial services in other ways. Any retained EU law that remains in force after the end of 2023 will be assimilated in the domestic statute book, by the removal of the special EU law features previously attached to it. However, the Act gives the Government broad powers to restate and to revoke and replace any secondary retained EU law. Any divergence between UK law and EU law which impact the Group will increase the burden of associated compliance costs on the Group. The extent of any such divergence in UK law and EU law is uncertain. There is the possibility that either party may impose tariffs on trade in the future in the event that regulatory standards between the EU and the UK diverge.

The Group cannot accurately predict any such changes or impact of future legislation and may be unable to respond effectively to changes in government policy, legislation or regulation. Any such changes may require the Group to change its strategy, marketing, business or operational practices or otherwise make adaptations to its products or services in the relevant market, which may further increase its costs or result in reduced revenues. The Group may be unable to pass on any increase in regulatory compliance costs to its customers, thereby causing a decline in its margins. If the Group does seek to pass on such costs to its customers, this may reduce the price competitiveness of, and hence customer demand for, the Group's products and services. Any such changes may have a material adverse effect upon the Group's business, financial condition, results of operation and prospects and/or impact the ability of the Issuer to fulfil its obligations under the Notes.

Changes in taxation law and interpretation may negatively impact the Group's financial results

Modifications to legislation that specifically govern the taxation of insurance companies have the potential to adversely affect the Group's business, including insurance premium tax. Similarly, changes in authorities' interpretations of existing legislation could also have the potential to impact the Group. While such changes in taxation laws and interpretation would affect the insurance sector as a whole, changes may be more detrimental to particular operators in the industry. However, the relative impact on the Group will depend on the areas impacted by the changes, the mix of business within the Group's portfolio and other relevant circumstances at the time of the change.

Changes in corporate and other tax rules or interpretations could have both a prospective and retrospective impact on the Group's business, results of operations or financial position. In general, changes to, or in the interpretation of, existing tax laws, or amendments to existing tax rates (corporate or personal), or the introduction of new tax legislation may adversely affect the business, prospects, profitability, results of operations and financial position of the Group, either directly or as a result of changes in the insurance purchasing decisions of customers. These impacts could also affect the ability of the Issuer to make payments in respect of the Notes.

Changes to IFRS generally, or specifically in relation to insurance entities, could have a negative effect on the Group's financial results

The Group's financial statements conform to IFRS and interpretations issued by the IFRS Interpretations Committee as published by the IASB and adopted by the UK.

Changes to IFRS for insurance companies have been proposed in recent years and further changes may be proposed in the future. IFRS 17 (insurance contracts) establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It is effective for annual reporting periods beginning on or after 1 January 2023 and introduces significant changes to the statutory reporting of insurance entities that prepare accounts in line with IFRS. The Group

is in the advanced stages of implementing IFRS 17 and for further information see Note 2 (*Basis of Preparation*) to the 2022 Audited Consolidated Financial Statements.

Future changes may have an adverse effect on the manner in which the Group reports provisions and therefore identifies and reports revenues and costs. Future changes may change the shape of profits and could also lead to change of perception in the short-term as people get used to the format. These and other potential changes to IFRS, whether or not specifically targeted at insurance companies, could adversely affect the Group's prospects, profitability, operations and financial position and/or impact the Issuer's ability to make payments in respect of the Notes.

Climate change and increased regulatory focus on the risks relating to it could have an impact on the Group's business and assets in its investment portfolio

Regulators are increasingly seeking to develop regulations that are directly and indirectly focused on sustainable finance and climate change. Climate change and environmental, social and governance ("ESG") risks are increasingly taken into account in investment decision-making, prudential matters, risk management and scenario planning. In addition, there is an increased demand from clients, investors, distributors and other stakeholders for climate change and ESG issues to be reflected in a firm's products and services, and for specific data on relevant matters to be published (e.g., greenhouse gas emissions). Furthermore, governments, including the UK government, are under increasing pressure to accelerate the pace of change to meet net zero commitments and to be seen to be taking more effective action. As a result, a number of new laws and regulatory initiatives have been introduced which have had and will continue to have an impact on the Group, and more are expected in the near future.

In response to a consultation launched in October 2018, the PRA published a supervisory statement setting out the PRA's expectations regarding UK insurers' and banks' approaches to managing financial risks from climate change in April 2019 (SS3/19). In October 2022, the PRA published a letter addressed to CEOs of firms, providing feedback on the PRA's supervision of climate-related financial risks following the publication of SS3/19 and the Bank of England's Climate Biennial Exploratory Scenario exercise. The letter confirmed the PRA's active supervision of firms against its supervisory expectations and summarised the capabilities it expects firms to be able to demonstrate and identifies examples of effective practices. Compliance with the expectations in SS3/19 will be assessed on an ongoing basis and firms should continue to demonstrate effective management of climate risks through regular supervisory engagements and reviews. Firms judged not to have made sufficient progress in embedding the PRA's expectations will be asked to explain how they intend to overcome gaps and supervisors will determine whether additional steps need to be taken to ensure risks are adequately being addressed and, if deemed appropriate, may exercise powers under the PRA's wider supervisory toolkit. There is therefore risk that the Group is not able to demonstrate that it has sufficiently embedded the expectations in SS3/19 and that the PRA requires additional steps to be undertaken that may require management to divert significant time and attention to the implementation of such changes and/or transitional arrangements and result in increased compliance costs for the Group, potentially to the detriment of the day-to-day running of the Group's business.

"Greenwashing" is also likely to represent a regulatory priority for the FCA and other UK regulatory bodies going forward, and both entity and product-level greenwashing represents an increasing risk for regulated firms. Action has been taken (or foreshadowed) by regulators in a number of jurisdictions as regards product or entity level greenwashing by financial services firms, and more is expected. Greenwashing issues also generate significant press attention, which could result in damage to the Group's reputation or brand(s).

Such regulatory, investor and customer focus on the issue of sustainable finance and particularly the risks that climate change could have on the safety and soundness of firms and the stability of the financial system may accelerate actions of market participants, which may in turn have an impact on the availability and attractiveness of certain securities or the reputation of the Group, which may have an adverse impact on the Group's liquidity and business, therefore affecting the prospects, profitability and financial condition of the Group and the Issuer's ability to make payments under the Notes.

4. Risks relating to the Notes

The Notes are unsecured and subordinated obligations of the Issuer and investors in the Notes may lose all or some of their investment in the Notes

The Issuer's obligations under the Notes will be unsecured and will be subordinated to the claims of all Senior Creditors of the Issuer (i) on a winding-up of the Issuer (other than an Approved Winding-up) and (ii) in the event that an administrator of the Issuer is appointed and gives notice that it intends to declare and distribute a dividend. Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to Noteholders *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the assets of the Issuer are insufficient to enable the Issuer to repay in full the claims of more senior-ranking creditors, Noteholders will lose their entire investment in the Notes. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes, Noteholders will lose some (which may be substantially all) of their investment in the Notes.

In addition, the ranking of Notes as described above is also expected to impact on the losses imposed on Noteholders if in future resolution powers apply and such resolution powers are exercised in respect of the Issuer and/or the Group, as under current proposals such resolution powers are required to be applied in a manner that respects the hierarchy of claims in liquidation. Accordingly, the actual or anticipated exercise of any of these resolution actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders. See also the risk factor titled "*The Group may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Notes*".

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound-up or enters into administration.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a significant risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent and its assets are insufficient to meet all its obligations to senior ranking and *pari passu* creditors.

The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries

The business of the Group is carried out through the operating subsidiaries of the Issuer and therefore the Issuer may depend upon receipt of funds, via dividend or interest payments from its operating subsidiaries, to fund payments of principal and interest on the Notes.

Noteholders will have a direct claim against the Issuer based on the Notes. Noteholders will not have a direct claim against the assets of any of the Issuer's operating subsidiaries. The assets of any such subsidiaries will in the first instance be used to pay their creditors. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur.

As a result, the right of the Noteholders to receive payments under the Notes will be structurally subordinated to all liabilities of all of the Issuer's operating subsidiaries (in addition to being contractually subordinated as described under the risk factor titled "*The Notes are unsecured and subordinated obligations of the Issuer and investors in the Notes may lose all or some of their investment in the Notes*"). Structural subordination in this context means that, in the event of a winding up or insolvency of an operating subsidiary of the Issuer, any creditors of such subsidiary would have (i) preferential claims to the assets of that subsidiary ahead of the Issuer in respect of the Issuer's holding of ordinary shares in such subsidiary and (ii) in respect of claims of the Issuer against such subsidiary that rank *pari passu* with any third party creditors' or preference shareholders' claims, *pari passu* claims to the assets of that subsidiary

with those claims of the Issuer. As well as the risk of losses in the event of a Group subsidiary's winding up or insolvency, the Issuer may suffer losses if any of its loans to, or investments in, such subsidiary are subject to write-down and conversion by statutory power or regulatory direction or if the subsidiary is otherwise subject to resolution proceedings (see the risk factor titled "*The Group may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Notes*"). In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

The Issuer has in the past made, and may continue to make, loans to, and investments in, Group subsidiaries. Such loans to, and investments made by, the Issuer in a subsidiary will generally be subordinated to depositors and other unsubordinated creditors and may be subordinated further to meet regulatory requirements and furthermore may contain mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or such subsidiary or upon regulatory direction would result in a write-down or conversion into equity of such loans and investments.

The Issuer retains its absolute discretion to restructure such loans to, and any other investments in, any of its Group subsidiaries, at any time and for any purpose including, without limitation, to provide different amounts or types of capital or funding to such subsidiary. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group subsidiary, and the inclusion of a mechanism that provides for a write-down and/or conversion into equity upon specified triggers or regulatory direction. Any restructuring of the Issuer's loans to, and investments in, any of the Group subsidiaries may be implemented by the Issuer without prior notification to, or consent of, the Noteholders.

No limitation on indebtedness senior to, or pari passu with, the Notes

There is no contractual restriction set out in the Conditions or the Trust Deed on the aggregate principal amount of secured or unsecured securities or other liabilities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently, there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may mean that the Noteholders lose some or all of their investment in the Notes on a winding-up of the Issuer (other than an Approved Winding-up) or if an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend. The issue of any such securities may also increase the likelihood of a deferral of payments under the Notes.

The Group may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Notes

As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution regimes developed by regulators and policy makers nationally and internationally. Recovery and resolution reforms for banks in the UK and the EEA now provide regulators with the power, as part of their resolution powers, to write down indebtedness or to convert that indebtedness to equity (known as "bail-in"), as well as other resolution powers.

There are currently several measures under consultation in relation to dealing with insurers in financial difficulties.

In May 2021, HM Treasury consulted on amendments to the insolvency arrangements for insurers, including proposed enhancements to the court's existing powers under section 377 of FSMA to order a reduction of the value of an insurer's contracts (a "write down"). Pursuant to these proposals, a court would be able to exercise its powers earlier than the point at which it has been proven that an insurer is unable to pay its debts, once the court is satisfied that an insurer is, or is likely to become, unable to pay its debts and provided the court is satisfied that it is reasonably likely to lead to a better outcome for the insurer's creditors as a whole. The changes will apply to insurers with a Part 4A FSMA permission to effect or carry out

contracts of insurance as principal (with one proposal relevant to life insurers only). In April 2022, HM Treasury published its response document to the consultation, confirming its intentions to reform insolvency arrangements for insurers. The government has been consulting with the PRA, FCA, the Financial Services Compensation Scheme and the Insolvency Service in relation to the proposals, which have resulted in the proposals being introduced in the FSM Act and will come into force two months after Royal Assent. These are currently enacted only to apply to regulated insurers (and not the Issuer, being an insurance holding company) but could apply to lending by the Issuer to its regulated subsidiaries. See *"The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries"* for a description of the rights of the Issuer to participate in the assets of its subsidiaries in the event of a winding-up.

Separately, on 26 January 2023, HM Treasury launched a consultation on a proposal to introduce an insurer resolution regime ("**IRR**") designed to give the UK authorities new tools and powers to manage the failure of UK-authorised insurers. The proposed regime would also apply to insurance holding companies, such as the Issuer and regulated and non-regulated entities within the corporate group of an insurer. The regime is intended to provide powers to take prompt action to stabilise and manage an insurer that is failing or likely to fail, subject to certain safeguards. While the proposed scope is broad, the government anticipates that, in practice, the majority of insurers would be unlikely to meet the statutory tests for resolution action, with the majority instead being put into some other procedure at the point of failure.

The consultation, which closed on 20 April 2023, includes proposals for the Bank of England to act as the dedicated "resolution authority" under the IRR (the "**Resolution Authority**"). The proposed regime would introduce stabilisation options that could be deployed in respect of a failing insurer once certain resolution conditions have been satisfied. The Resolution Authority would be empowered to, amongst other things, apply one (or a combination) of the following proposed stabilisation options concurrently or sequentially:

- (i) portfolio transfer to a private sector transferee;
- (ii) establish a temporary "bridge" institution to take control and continue certain critical functions and viable operations of a failed firm;
- (iii) "bail-in" of a firm, that is to reduce or convert (into equity or other ownership instruments of the firm in resolution) all or parts of unsecured creditor claims (including Noteholder and policyholder liabilities) in a manner that respects the hierarchy of claims in liquidation; and
- (iv) as a last resort, placing the firm into temporary public ownership.

Under the current IRR proposals, where the relevant statutory conditions for use of the bail-in tool have been met, the Resolution Authority would be expected to exercise these powers by following the hierarchy of claims in liquidation and without any advance notice or consent of the Noteholders. Any such exercise of the resolution powers, and in particular the bail-in tool, in respect of the Issuer and the Notes may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of the Notes into shares or other Notes or other obligations of the Issuer or another person, or any other modification or variation to the terms of the Notes. Therefore, the exercise of any of the proposed Resolution Authority powers in respect of the Issuer and the Notes, or any suggestion of any such exercise, could materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to Noteholders losing some or all of the value of their investment in the Notes.

Although the resolution conditions would likely only be met in respect of a few insurers, until the IRR is enacted and the Bank of England has published supplementary rules and guidance on the IRR it is not possible to assess its full impact on the Issuer, the Group and the Noteholders and there can be no assurance that, once in force, the manner in which it is implemented or the taking of any actions contemplated in the IRR would not adversely affect the price or value of an investment in Notes and/or the ability of the Issuer to satisfy its obligations under such Notes and/or the level of an investor's recovery in resolution. Prospective investors in the Notes should consult their own advisors as to the consequences of the adoption of the IRR.

Gibraltar does not fall within the scope of any of the UK reforms referenced above. The GFSC is the appointed Resolution Authority for Gibraltar and its Resolution Authority powers are delegated to the Financial Services Resolution and Compensation Committee which was established in 2016.

Group subsidiaries operating in the EEA may be subject to the resolution powers under the IRRD regime

In September 2021, the European Commission published its proposed directive on the recovery and resolution of insurance and reinsurance undertakings ("IRRD"). If adopted in its current form, the proposed IRRD would provide for (i) a variety of preventive measures to reduce the likelihood of insurance or reinsurance undertakings requiring public financial support and (ii) the commencement of resolution procedures when insurance or reinsurance undertakings are failing or likely to fail, where there is no prospect that private sector alternatives or supervisory measures would prevent such failure.

The IRRD has many similarities to the IRR, but some differences also. For example, the IRRD would treat a "solvent run-off" as a specific resolution tool (under the IRR, solvent run-off is not a specific stabilisation option - it is envisaged that the resolution conditions would not be met if a safe and solvent run-off is possible). The proposed IRRD provides, in case of resolution, for the application of a number of resolution tools, such transfer to a commercial purchaser, transfer to a bridge bank, temporary public ownership and bail-in.

See *"The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries"* for a description of the rights of the Issuer to participate in the assets of its subsidiaries in the event of a winding up. If the Issuer is unable to access such assets as expected this could have a material adverse effect on its financial condition, profitability and prospects and impact the ability of the Issuer to make payments in respect of the Notes.

The Issuer may redeem the Notes at par prior to the Maturity Date in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

The scheduled Maturity Date of the Notes is 6 January 2034 and, although the Issuer may redeem or purchase the Notes in certain special circumstances described herein prior to that date, it is under no obligation to do so. In addition, the Noteholders have no right to call for the redemption of the Notes in any circumstances. Therefore, prospective investors should be aware that they may be required to bear the financial risks associated with an investment in long term securities.

The Notes may, subject as provided in Condition 6 (*Redemption, Substitution, Variation and Purchase*), at the option of the Issuer, be redeemed before the Maturity Date at their principal amount together with any Arrears of Interest (if any) and any other accrued but unpaid interest to (but excluding) the date of redemption: (i) at the sole discretion of the Issuer on any date from (and including) 6 July 2033 to (but excluding) the Maturity Date; (ii) at any time following a Tax Event (as defined in the section of this Prospectus entitled *"Overview of the Principal Features of the Notes"*); (iii) at any time following the occurrence of a Capital Disqualification Event; (iv) at any time during the Notice Period following a Rating Methodology Event or (v) if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (including for these purposes any Further Notes) has been purchased or otherwise acquired by the Issuer or any of its Subsidiaries and cancelled.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect, or is perceived to be able to elect, to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. The cash paid to Noteholders upon such a redemption may be less than the then current market value of the Notes or the price at which such Noteholders purchased the Notes. Subject to the contractual and regulatory restrictions on doing so set out in the Conditions, the Issuer might redeem the Notes when its cost of borrowing for an instrument with a comparable regulatory and (if relevant) rating agency capital treatment at the time is lower than the interest payable on them. An investor may not be able to reinvest the redemption proceeds at an effective interest rate which is as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Furthermore, Noteholders will have no right to request the redemption of the Notes and should not invest in the Notes in the expectation that the Issuer would exercise its option to redeem the Notes. Any decision by the Issuer as to whether it will exercise its option to redeem the Notes will be made at the absolute discretion of the Issuer taking into account factors such as, but not limited to, the economic impact of exercising such option to redeem the Notes, any tax consequences, the regulatory requirements and the

prevailing market conditions. Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes until maturity.

Waiver of set-off

The Noteholders waive any right of set-off or counterclaim in relation to the Notes insofar as permitted by applicable law. As a result, Noteholders will not be entitled to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer. Noteholders may therefore be required to initiate separate proceedings to recover amounts in respect of any counterclaim and may receive a lower recovery in the event of a winding-up or administration of the Issuer than if set-off or counterclaim were permitted.

In certain circumstances, payments of interest on, and redemption of, the Notes must be deferred by the Issuer

The payment obligations by the Issuer under the Notes are conditional upon (i) there being no breach of the Solvency Condition (as described in Condition 2(c) (*Solvency Condition*)) at the time of such payment and no such breach occurring as a result of such payment, (ii) in the case of the payment of interest, there being no Regulatory Deficiency Interest Deferral Event at the time of such payment and no such event occurring as a result of such payment, and (iii) in the case of the redemption of the Notes, (A) there being no Regulatory Deficiency Redemption Deferral Event at the time of such payment and no such event occurring as a result of such payment and (B) such redemption being made in compliance with the Relevant Rules at such time, and notification to, or consent or non-objection from, the Relevant Regulator (to the extent then required by the Relevant Regulator or the Relevant Rules). Any amounts of principal, interest, Arrears of Interest and any other amounts in respect of the Notes which cannot be paid on the scheduled payment date by virtue of such provisions must be deferred by the Issuer, and non-payment of the amounts so deferred shall not constitute a default under the Notes or the Trust Deed for any purpose, including other action against the Issuer.

Any interest in respect of the Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest. The Noteholders have no right to require payment of Arrears of Interest, and Arrears of Interest will become payable only at the discretion of the Issuer or upon the earliest of the dates set out in Condition 5(d)(i) to (iii) (*Deferral of Interest*).

If redemption of the Notes is deferred, the Notes will only become due for redemption in the circumstances described in Condition 6(b)(iii) and (iv) (*Deferral of redemption date*).

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer and the Insurance Group under the Relevant Rules and the requirements of the Relevant Rules. Events which constitute a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event could include, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or all or part of the Insurance Group (which part includes the Issuer) to be breached and the occurrence and continuation of an Insolvent Insurer Winding-up, in each case, where such event is an event which under the Relevant Rules means that the Issuer must defer or suspend payments on, and/or the redemption of, the Notes and where the Relevant Regulator has not waived the requirement to defer payment under, and/or redemption of, the Notes in accordance with any pre-conditions to such waiver being capable of being granted as prescribed by the Relevant Rules, in each case on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules.

Any actual or anticipated deferral of interest or deferral of redemption can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not require deferral of interest or principal, and may be more sensitive generally to adverse changes in the Issuer's financial condition and/or capital position.

The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Noteholders in certain circumstances, subject to certain restrictions

In the event of a Tax Event, a Capital Disqualification Event or a Rating Methodology Event, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), (in the case of a Tax Event or a Capital Disqualification Event) Qualifying Tier 2 Securities or (in the case of a Rating Methodology Event) Rating Agency Compliant Securities, without the consent of the Noteholders.

Qualifying Tier 2 Securities and Rating Agency Compliant Securities must, *inter alia*, have terms not materially less favourable to holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank or independent financial adviser of international standing. However, there can be no assurance that, due to the particular circumstances of a Noteholder, such Qualifying Tier 2 Securities or Rating Agency Compliant Securities will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as the case may be) are not materially less favourable to holders than the terms of the Notes. In addition, the tax and stamp duty consequences of holding the Qualifying Tier 2 Securities or Rating Agency Compliant Securities could be different for some categories of Noteholders from the stamp and tax duty consequences for them of holding the Notes prior to such substitution. There can also be no assurance that the Qualifying Tier 2 Securities or Rating Agency Compliant Securities will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms.

The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of the Relevant Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, concur in certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 13 (*Meetings of Noteholders; Modification and Waiver*).

The Conditions provide that the Trustee may, without the consent of the Noteholders, concur in the substitution of a Related Undertaking of the Issuer (or any previous substitute or successor in business) or a successor in business of the Issuer (or any previous substitute or successor in business) or the addition of a Related Undertaking of the Issuer (or substitute Issuer) as a guarantor of the Issuer's (or substitute Issuer) obligations in the circumstances described in Condition 14 (*Substitution of Issuer*).

Accordingly, there is a risk that the terms of the Notes, the Conditions and/or the Agency Agreement may be modified or waived or the Issuer substituted in circumstances where a Noteholder does not agree to such modification, waiver or substitution, which may adversely impact the rights of such Noteholder.

Noteholders will have limited remedies

In accordance with the current UK requirements for eligible Tier 2 Capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up of the Issuer by a competent court in England and Wales (but not elsewhere) and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer for such payment. There is no independent right of acceleration in the case of non-payment of interest on the Notes and no right of acceleration at all in the case of the Issuer's failure to perform any of its other obligations under or in respect of the Notes.

In particular, a deferral of payments as described in the risk factor headed "*In certain circumstances, payments of interest on, and redemption of, the Notes must be deferred by the Issuer*" shall not constitute a default under the Notes or the Trust Deed for any purpose, including other action against the Issuer.

The remedies under the Notes are more limited than those typically available to the Issuer's unsubordinated creditors and so Noteholders may be unable to take action to recover their investment in the Notes in circumstances where they would (in respect of unsubordinated liabilities) expect to be able to.

Limitation on gross-up obligation under the Notes

The Issuer's obligation, if any, to pay additional amounts in respect of any withholding or deduction in respect of taxes imposed in the UK under the terms of the Notes applies only to payments of interest and not to payments of principal.

As such, the Issuer would not be required to pay any additional amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders will receive less than the full amount which would otherwise be due to them under the Notes, and the market value of the Notes may be adversely affected.

Change of law

The Conditions are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, any change in law or regulation that triggers a Tax Event or a Capital Disqualification Event, as applicable, would entitle the Issuer, at its option (subject to certain conditions), to redeem, substitute or vary the Notes, in whole but not in part, as provided in Condition 6 (*Redemption, Substitution, Variation and Purchase*).

The Solvency II requirements applicable to a UK insurer or to the ultimate insurance holding company of a UK insurance group (such as the Issuer) may change as a result of amendments made to the UK prudential regulatory regime (including the implementation of Solvency UK and any further reforms such as the Edinburgh Reforms). The nature and extent of those changes in particular remain uncertain as at the date of this Prospectus. There may also be changes to the way in which the Relevant Regulator interprets and applies existing requirements or guidance to the UK insurance industry. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Issuer's or the Insurance Group's Solvency Capital Requirement, and such changes may make the Issuer's or the Insurance Group's capital adequacy requirements more onerous. Such changes that may occur subsequent to the date of this Prospectus and/or any subsequent changes to such rules or guidance and other variables may individually and/or in aggregate negatively affect the calculation of the Issuer's or the Insurance Group's Solvency Capital Requirement and thus increase the likelihood of a deferral of payments on the Notes or the occurrence of a Capital Disqualification Event and subsequent redemption of the Notes by the Issuer.

See further the risk factors titled "*The Group may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Notes*" and "*The Group's regulated business is subject to extensive regulatory supervision, with such regulation being subject to proposals for future changes which may result in adverse impacts for the Group, increasing compliance costs in relation to such laws and regulations*".

It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group, the Issuer or the Noteholders, which could be material to the rights of Noteholders and/or the ability of the Issuer to satisfy its obligations under the Notes.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

Integral multiples of £100,000

The Notes are issued in the denomination of £100,000 and higher integral multiples of £1,000 thereafter and so it is possible that the Notes may be traded in amounts in excess of £100,000 that are not integral multiples of £100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than £100,000 will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to or greater than £100,000.

If definitive Notes are issued, Noteholders should be aware that definitive Note which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

The Trustee is not obliged to act unless instructed and may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction

The Trustee is not obliged to act unless instructed and in certain circumstances (including without limitation the taking of steps and/or actions and/or the instituting of enforcement or other steps pursuant to Condition 9 (*Events of default*)), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings 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-fifth in principal amount of the Notes then outstanding and (ii) in either case, it shall have been indemnified and/or secured and/or prefunded to its satisfaction, nor shall it be responsible for any loss or liability incurred by any person as a result of any delay in exercising such power or not taking any such steps and/or action and/or instituting any such proceedings. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions and/or the instituting of any such proceedings can be taken. The Trustee may not be able to take steps and/or actions and/or institute any such proceedings notwithstanding the provision of an indemnity and/or security and/or prefunding to it in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such steps and/or actions and/or institute any such proceedings directly.

5. Risks relating to the market generally

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

The secondary market generally

Although application has been made to admit the Notes to trading on the Market, the Notes have no established trading market and one may never develop. If a market does develop, it may not be liquid. If the Notes are issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, or if at any time there is any actual or anticipated deferral of interest or redemption and/or any risk of early redemption in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

Interest rate risk

Investment in Notes involves the risk that changes in market interest rates after the issue date may adversely affect the value of the Notes.

The Notes will bear a fixed interest rate of 8.500 per cent. per annum. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current

interest rate on the capital market (the "**Market Interest Rate**"). Potential movements in the Market Interest Rate over the life of the Notes are difficult to predict. While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on Notes in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Inflation risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes. The risk to Noteholders therefore is that inflation erodes the value of the investment in the Notes.

Credit ratings may not reflect all risks

Fitch has assigned a credit rating of BBB to the Notes. This rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the EEA CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EEA CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EEA CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the EEA CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the EEA CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Notes will be represented by a Global Note Certificate (as defined in the Trust Deed). The Global Note Certificate will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Note Certificate, investors will not be entitled to receive definitive registered notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate.

While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Prospectus:

- (a) The following sections of the Annual Report and Accounts 2021 of the Issuer (available at: <https://www.admiralgroup.co.uk/static-files/d08da0fd-cb67-4d84-83e8-196d78d1a9aa>):

Section	Page reference
Independent auditors' report	212 to 221
Consolidated income statement	222 to 223
Consolidated statement of comprehensive income	224
Consolidated statement of financial position	225
Consolidated cash flow statement	226
Consolidated statement of changes in equity	227
Notes to the financial statements	228 to 295
Parent company financial statements	296 to 298
Notes to the parent company financial statements	299 to 308
Alternative Performance Measures	312 to 314

- (b) The following sections of the Annual Report and Accounts 2022 of the Issuer (available at: <https://www.admiralgroup.co.uk/static-files/702c838e-32ba-4302-9ab8-44ef661e56cd>):

Section	Page reference
Independent auditors' report	215 to 225
Consolidated income statement	226
Consolidated statement of comprehensive income	227
Consolidated statement of financial position	228
Consolidated cash flow statement	229
Consolidated statement of change in equity	230
Notes to the financial statements	231 to 292
Parent company financial statements	293 to 295
Notes to the parent company financial statements	296 to 303
Alternative Performance Measures	306 to 309

- (c) The following sections of the Issuer's 2022 Group Solvency and Financial Condition Report (available at: <https://www.admiralgroup.co.uk/static-files/661c8a8c-5388-470a-9634-52617b8709b4>) (the "Solvency and Financial Condition Report"):

Section	Page reference
Audit Opinion	11 to 17
Valuation for Solvency Purposes	48 to 55
Capital Management	56 to 63
Glossary	64

Any statement made in this Prospectus or in a document incorporated by reference or deemed incorporated herein by reference is deemed to be modified or superseded for purposes of this Prospectus if, and to the extent that, a statement contained in this Prospectus or in any other document subsequently incorporated or deemed incorporated by reference herein modifies or supersedes that statement.

Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any non-incorporated parts of a document referred to herein (which, for the avoidance of doubt, means any parts not listed in the cross-reference lists above) are either not relevant for investors or covered elsewhere in this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The £250,000,000 8.500 per cent. Subordinated Notes due 2034 (the "**Notes**", which expression includes any Further Notes (as defined below)) of Admiral Group plc (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 6 July 2023 (as amended, restated or supplemented from time to time, the "**Trust Deed**") between the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 6 July 2023 (as amended, restated or supplemented from time to time, the "**Agency Agreement**") between the Issuer, HSBC Bank plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents, if any, named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent and the Transfer Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them in the Agency Agreement. Copies of the Trust Deed and the Agency Agreement (i) are available for inspection and collection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof 8 Canada Square, London E14 5HQ and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below or (ii) may be provided by email to a holder of the Notes requesting a copy from the Principal Paying Agent at ctlondon.conventional@hsbc.com, in each case upon such holder of the Notes providing proof of holding of Notes to the satisfaction of the Principal Paying Agent, and subject to the Principal Paying Agent being supplied by the Issuer with electronic copies.

1. **Form and Denomination**

The Notes are in registered form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof (each, an "**Authorised Denomination**").

2. **Status of the Notes**

(a) **Status:** The Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* without preference among themselves. The rights and claims of the Noteholders are subordinated as described in the Trust Deed and Condition 2(b) (*Subordination*).

(b) **Subordination:** If:

- (i) a winding-up of the Issuer occurs (other than an Approved Winding-up);
or
- (ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee acting on its own account under the Trust Deed) and the Noteholders against the Issuer in respect of or arising under the Notes and the Trust Deed (including any Arrears of Interest (as defined below), if any, and any damages awarded for breach of any obligations in respect of the Notes) will be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors but shall rank: (A) at least *pari passu* with all claims of holders of all other subordinated obligations of the Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement

given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank by their terms, *pari passu* therewith, including the Parity Obligations ("**Parity Securities**"); and (B) in priority to the claims of holders of (i) any subordinated obligations of the Issuer expressed to rank by their terms junior to the Notes, (ii) all obligations of the Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank by their terms, *pari passu* therewith, and (iii) all classes of share capital of the Issuer (the "**Junior Securities**").

Nothing in this Condition 2 shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof and in such capacity the Trustee shall rank as an unsubordinated creditor of the Issuer.

- (c) **Solvency Condition:** Except for in the event of a winding-up of the Issuer in England and Wales (other than an Approved Winding-up) or where an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend and without prejudice to Conditions 2(b) (*Subordination*) and 9 (*Events of default*), payments of all amounts under or arising from the Notes and the Trust Deed (other than payments made to the Trustee acting on its own account under the Trust Deed) will be mandatorily deferred unless the Issuer is solvent at the time for payment by the Issuer and unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

For the purposes of this Condition 2(c), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and Parity Creditors as they fall due and (ii) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer signed by two Authorised Signatories or, if there is a winding-up or administration of the Issuer, by two authorised signatories of the liquidator or, as the case may be, the administrator of the Issuer shall be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Without prejudice to any other provision in these Conditions and without double counting, amounts representing any payments of principal or interest or any other amount (including any damages awarded for breach of any obligations) in respect of which the conditions referred to in this Condition 2(c) are not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claim**"), will be payable by the Issuer in the circumstances described in Condition 9(b) (*Amount payable on a winding-up or administration of the Issuer*), subject to and in accordance with the subordination provisions in Condition 2(b) (*Subordination*). A Solvency Claim shall not bear interest.

- (d) **Set-off:** By acceptance of the Notes and subject to applicable law, each Noteholder will be deemed to have waived any right of set-off or counterclaim that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed whether prior to or in liquidation, winding-up or administration. Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder in respect of or arising under the Notes or the Trust Deed are discharged by set-off, such Noteholder will immediately, unless prohibited by applicable law, pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator or administrator of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and, until such time as payment is made, will hold a sum equal to such amount on trust for the Issuer or, if applicable, the liquidator or administrator in the Issuer's winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

3. **Register, Title and Transfers**

- (a) **Register:** The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) **Title:** The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.
- (c) **Transfers:** Subject to Conditions 3(f) (*Closed periods*) and 3(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.
- (d) **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with Condition 3(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) **Closed periods:** Noteholders may not require transfers to be registered (a) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes, (b) during the period following delivery of a notice of a voluntary payment of Arrears of Interest in accordance with Condition 5(d) (*Payment of Arrears of Interest*) and Condition 15 (*Notices*) and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest or (c) during the period of 15 days ending on the date of substitution of the Notes.
- (g) **Regulations concerning transfers and registration:** All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current

regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Interest

- (a) **Interest:** The Notes bear interest from 6 July 2023 (the "**Issue Date**") at the rate of 8.500 per cent. per annum. Subject to Condition 5 (*Deferral of Interest*), interest shall be payable semi-annually in arrear in equal instalments of £42.50 per Calculation Amount (as defined below) in accordance with the provisions of this Condition 4 on 6 January and 6 July in each year (each, an "**Interest Payment Date**"), in accordance with Condition 7 (*Payments*).
- (b) **Interest Accrual:** Each Note will cease to bear interest from the due date for redemption (which due date shall, in the case of deferral of a redemption date due to the Solvency Condition not being satisfied and/or in accordance with Condition 6(b) (*Deferral of redemption date*), be the latest date to which redemption of the Notes is so deferred) unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Calculation of Interest:** Where it is necessary to compute an amount of interest in respect of any Note during an 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 product of (a) the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date and (b) two.

Save as provided above in relation to equal instalments, interest shall be calculated per £1,000 in principal amount of the Notes (the "**Calculation Amount**") by applying the rate of interest referred to in Condition 4(a) (*Interest*) to such Calculation Amount, multiplying the resulting figure by the day count fraction described in the immediately preceding paragraph and rounding the resultant figure to two decimal places (with 0.005 being rounded up).

5. Deferral of Interest

- (a) **Regulatory Deficiency Deferral of Interest:** Payment of interest on the Notes by the Issuer will be mandatorily deferred on each Regulatory Deficiency Interest Deferral Date. The Issuer shall notify the Noteholders, the Trustee and the Principal Paying Agent of any Regulatory Deficiency Interest Deferral Date in accordance with Condition 5(e) (*Notice of Deferral*) (provided that any delay in making or failure to make such notification shall not oblige the Issuer to make payment of such interest, or cause the same to become due and payable, on such date).

A certificate signed by two Authorised Signatories confirming that (i) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (ii) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

- (b) **No default:** Notwithstanding any other provision in these Conditions or in the Trust Deed the deferral by the Issuer of any payment of interest (i) on a Regulatory Deficiency Interest

Deferral Date in accordance with Condition 5(a) (*Regulatory Deficiency Deferral of Interest*) or (ii) as a result of the application of the Solvency Condition in accordance with Condition 2(c) (*Solvency Condition*), will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any other action with respect to such deferral under the Notes or the Trust Deed.

- (c) ***Arrears of Interest:*** Any interest on the Notes not paid on an Interest Payment Date as a result of the obligation of the Issuer to defer such payment of interest pursuant to Condition 5(a) (*Regulatory Deficiency Deferral of Interest*) or the operation of the Solvency Condition described in Condition 2(c) (*Solvency Condition*) shall (without double counting), to the extent and for so long as the same remains unpaid, constitute "**Arrears of Interest**".

Arrears of Interest shall not themselves bear interest.

- (d) ***Payment of Arrears of Interest:*** Any Arrears of Interest may (subject to Condition 2(c) (*Solvency Condition*) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator and to any other requirements under the Relevant Rules) be paid by the Issuer in whole or in part at any time (*provided that* at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 15 (*Notices*) and in any event will become due and payable by the Issuer in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest);
- (ii) the date on which an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which an administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of the Notes pursuant to Condition 6 (*Redemption, Substitution, Variation and Purchase*) (subject to deferral of such redemption date pursuant to and in accordance with these Conditions).

- (e) ***Notice of Deferral:*** The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in writing in accordance with Condition 15 (*Notices*) not less than 5 Business Days prior to an Interest Payment Date:

- (i) if that Interest Payment Date is a Regulatory Deficiency Interest Deferral Date, specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, *provided that* if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 15 (*Notices*) as soon as reasonably practicable following the occurrence of such event; or
- (ii) if payment of interest is to be deferred on that Interest Payment Date only as a result of the non-satisfaction of the Solvency Condition and specifying the same, *provided that* if the Issuer becomes aware of such non-satisfaction of the Solvency Condition less than five Business Days

prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 15 (*Notices*) as soon as reasonably practicable following it becoming so aware,

provided that in each case any delay in making or failure to make such notification shall not oblige the Issuer to make payment of such interest, or cause the same to become due and payable, on such date.

6. **Redemption, Substitution, Variation and Purchase**

(a) ***Redemption:***

- (i) ***Scheduled redemption:*** Subject to Condition 2(c) (*Solvency Condition*), Condition 6(b) (*Deferral of redemption date*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*), unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date together with any Arrears of Interest, if any, and any other accrued and unpaid interest to (but excluding) the Maturity Date in accordance with the terms of Condition 7 (*Payments*).
- (ii) ***Issuer par call:*** Subject to Condition 2(c) (*Solvency Condition*), Condition 6(b) (*Deferral of redemption date*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*), the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable (subject as aforesaid) and shall specify the date fixed for redemption) redeem in accordance with these Conditions (unless otherwise specified herein) all of the Notes, but not some only, at any time in the period from (and including) 6 July 2033 to (but excluding) the Maturity Date at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption.

Upon expiry of such notice the Issuer shall (subject to Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*), Condition 2(c) (*Solvency Condition*) and Condition 6(b) (*Deferral of redemption date*)) redeem the Notes pursuant to this Condition 6(a)(ii).

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

- (i) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6(a)(i) (*Scheduled redemption*) or prior to the Maturity Date pursuant to Condition 6(a)(ii) (*Issuer par call*), Condition 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), Condition 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*) or Condition 6(f) (*Clean-up Call*) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made pursuant to this Condition 6.
- (ii) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6(a)(i) (*Scheduled redemption*) or prior to the Maturity Date pursuant to Condition 6(a)(ii) (*Issuer par call*), Condition 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), Condition 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*)

or Condition 6(f) (*Clean-up Call*) (as applicable) as a result of circumstances where:

- (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;
- (B) the Solvency Condition would not be satisfied on such date in respect of the amounts payable on redemption; or
- (C) the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 15 (*Notices*) no later than 5 Business Days prior to any date set for redemption of the Notes if such redemption is to be deferred in accordance with this Condition 6(b), *provided that* if a Regulatory Deficiency Redemption Deferral Event occurs less than 5 Business Days prior to the date set for redemption, the Issuer shall give notice of such deferral in accordance with Condition 15 (*Notices*) as soon as reasonably practicable following the occurrence of such event. Any delay or failure in giving any notice pursuant to this Condition 6(b) shall not result in the principal amount of the Notes becoming due and payable on the Maturity Date or, as applicable, any earlier date fixed for redemption pursuant to this Condition 6.

- (iii) If (A) redemption of the Notes does not occur on the Maturity Date pursuant to Condition 6(a)(i) (*Scheduled redemption*) or prior to the Maturity Date pursuant to Condition 6(a)(ii) (*Issuer par call*), Condition 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), Condition 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*) or Condition 6(f) (*Clean-up Call*) (as applicable) as a result of Condition 6(b)(i) (*Deferral of redemption date*) above or the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules) or (B) such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (1) and (2) below only) to Condition 2(c) (*Solvency Condition*) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent from, the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, then the Issuer shall redeem such Notes at their principal amount together with any Arrears of Interest, if any, and any other accrued and unpaid interest to (but excluding) the date specified for redemption upon the earliest of:
 - (1) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such 10th Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 6(b)(i) (*Deferral of redemption date*), Condition 6(b)(ii) and this Condition 6(b)(iii) will apply *mutatis mutandis* to determine the due date for redemption of the Notes); or

- (2) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes (where such approval is required under the Relevant Rules); or
 - (3) the date on which an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which an administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
 - (iv) If Condition 6(b)(i) (*Deferral of redemption date*) does not apply, but the obligations of the Issuer under the Notes to make payment of any amount in relation to the redemption of the Notes are mandatorily deferred as a result of the Solvency Condition not being satisfied, subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, such obligations shall be payable on the 10th Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 2(c) (*Solvency Condition*) and (B) the payment of such amounts would not result in the Issuer ceasing to be solvent for the purposes of Condition 2(c) (*Solvency Condition*), *provided that* if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or the Solvency Condition is not satisfied, then such obligations shall not be paid on such date and Condition 6(b)(i) (*Deferral of redemption date*), Condition 6(b)(ii) and Condition 6(b)(iii) (if such deferral is due to a Regulatory Deficiency Redemption Deferral Event) and/or Condition 2(c) (*Solvency Condition*) and this Condition 6(b)(iv) (if such deferral is due to the operation of the Solvency Condition) shall apply *mutatis mutandis* to determine the due date for payment of such amount.
 - (v) A certificate signed by two Authorised Signatories confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.
 - (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with this Condition 6(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any other action with respect to such deferral under the Notes or the Trust Deed.
- (c) ***Redemption, substitution or variation for taxation reasons:*** Subject to Conditions 2(c) (*Solvency Condition*), 6(b)(i) (*Deferral of redemption date*), 6(j) (*Trustee role on substitution or variation*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*) if immediately before the giving of the notice referred to below:
- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which the Relevant Jurisdiction is a party, or any change in the application of official or published interpretation of such laws or regulations, including a decision

of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital), which change or amendment becomes effective on or after the Reference Date (each a "**Tax Law Change**"), on the next Interest Payment Date either (a) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*); or (b) the Issuer would no longer be entitled to claim a deduction in respect of computing its tax liabilities in the United Kingdom or such entitlement is reduced; or (c) in respect of the payment of interest, the Issuer would not to any material extent be entitled to have any attributable loss (if any) or non-trading deficit (if any) set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (d) the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes; and

- (ii) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable (subject as aforesaid) and shall specify the date fixed for redemption, substitution or variation, as applicable), either:

- (1) redeem in accordance with these Conditions (unless otherwise specified herein) all of the Notes, but not some only, at any time at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (a) with respect to sub-paragraph (i)(a) the Issuer would be obliged to pay such additional amounts; (b) with respect to sub-paragraph (i)(b) above, the payment of interest would not be able to claim a tax deduction as provided in sub-paragraph (i)(b) above; (c) with respect to sub-paragraph (i)(c), the Issuer would not to any material extent be entitled to have the loss or non-trading deficit set against the profits as provided in sub-paragraph (i)(c) above; or (d) with respect to sub-paragraph (i)(d) above, the Issuer would be prevented from treating the Notes as a loan relationship as provided in sub-paragraph (i)(d) above, in each case were a payment in respect of the Notes then due; or
- (2) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities, and the Trustee shall (subject to Condition 6(j) (*Trustee role on substitution or variation*)), the requirements of this Condition 6(c) and the receipt by it of the certificates of the Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities) concur in such substitution or variation.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (a) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance referred to in sub-paragraph (c)(i) above applies and cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion in form and substance satisfactory to the Trustee of independent legal advisers or other tax advisers of recognised standing that the relevant requirement or circumstance referred to in sub-paragraph (c)(i) above applies.

Such certificate and opinion shall be conclusive evidence that such requirement or such circumstances apply and shall be accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Upon expiry of such notice the Issuer shall (subject to Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*)) and, in the case of a redemption, to Condition 2(c) (*Solvency Condition*) and Condition 6(b) (*Deferral of redemption date*)) either redeem, substitute or vary the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(c).

- (d) ***Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event:*** Subject to Conditions 2(c) (*Solvency Condition*), 6(b)(i) (*Deferral of redemption date*), 6(j) (*Trustee role on substitution or variation*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*), if a Capital Disqualification Event has occurred and is continuing or, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, a Capital Disqualification Event will occur within a period of six months, then the Issuer may, having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable (subject as aforesaid) and shall specify the date fixed for redemption, substitution or variation, as applicable), either:

- (i) redeem in accordance with these Conditions (unless otherwise specified herein) all of the Notes, but not some only, at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities and the Trustee shall (subject to Condition 6(j) (*Trustee role on substitution or variation*)), the requirements of this Condition 6(d) and the receipt by it of the certificates of the Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities) concur in such substitution or variation.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate or, as the case may be, will occur within a period of six months of the date of such certificate. Such certificate shall be conclusive evidence that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate (or, as the case may be, will occur within a period of six months of the date of such certificate) and shall be accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Upon expiry of such notice the Issuer shall (subject to Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*)) and, in the case of a redemption, to Condition 2(c) (*Solvency Condition*) and Condition 6(b) (*Deferral of redemption date*)) either redeem, substitute or vary the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(d).

- (e) ***Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event:*** Subject to Conditions 2(c) (*Solvency Condition*), 6(b)(i) (*Deferral of redemption date*), 6(j) (*Trustee role on substitution or variation*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*), if a Rating Methodology Event has occurred and is continuing or, as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of the Rating Agency, a Rating Methodology Event will occur within a period of six months, the Issuer may, having given

not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice must be given during the Notice Period and shall be irrevocable (subject as aforesaid) and shall specify the date fixed for redemption, substitution or variation, as applicable), either:

- (i) redeem in accordance with these Conditions (unless otherwise specified herein) all of the Notes, but not some only, at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Securities and the Trustee shall (subject to Condition 6(j) (*Trustee role on substitution or variation*)), the requirements of this Condition 6(e) and the receipt by it of the certificates of the Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities and Rating Agency Compliant Securities) concur in such substitution or variation.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(e), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate or, as the case may be, will occur within a period of six months of the date of such certificate. Such certificate shall be conclusive evidence that a Rating Methodology Event has occurred and is continuing as at the date of the certificate (or, as the case may be, will occur within a period of six months of the date of such certificate) and shall be accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Upon expiry of such notice the Issuer shall (subject to Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*)) and, in the case of a redemption, to Condition 2(c) (*Solvency Condition*) and Condition 6(b) (*Deferral of redemption date*)) either redeem, substitute or vary the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(e).

For the purposes of this Condition 6(e), "**Notice Period**" means the twelve-month period from (and including) the date on which the relevant Rating Methodology Event first occurs (or, as applicable, the date on which the Issuer certifies to the Trustee that the same will occur within a period of six months).

- (f) **Clean-up call:** Subject to Conditions 2(c) (*Solvency Condition*), 6(b)(i) (*Deferral of redemption date*) and 6(k) (*Preconditions to redemption, substitution, variation and purchases*), if at any time after the Issue Date, 80 per cent. or more of the aggregate principal amount of the Notes originally issued (which for these purposes will be deemed to include any Further Notes, if any, issued in accordance with Condition 16 (*Further Issues*)) has been purchased or otherwise acquired by the Issuer or any of its Subsidiaries and cancelled pursuant to these Conditions, then the Issuer may, at its option, having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable (subject as aforesaid) and shall specify the date fixed for redemption), redeem in accordance with these Conditions (unless otherwise specified herein) all of the Notes, but not some only, at their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that as at the date of the certificate, the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that 80 per cent. or more of the aggregate principal amount of the Notes so issued has been purchased by the Issuer or any of its

Subsidiaries and cancelled. Such certificate shall be conclusive evidence of the satisfaction of the circumstances set out above and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Upon expiry of such notice the Issuer shall (subject to Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*), Condition 2(c) (*Solvency Condition*) and Condition 6(b) (*Deferral of redemption date*)) redeem the Notes pursuant to this Condition 6(f).

- (g) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 6.
- (h) **Purchase:** Subject to Condition 2(c) (*Solvency Condition*) and Condition 6(k) (*Preconditions to redemption, substitution, variation and purchases*) and *provided that* a Regulatory Deficiency Redemption Deferral Event is not continuing, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. All Notes purchased by or on behalf of the Issuer or any Subsidiary may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary, surrendered for cancellation to the Principal Paying Agent.
- (i) **Cancellation:** All Notes redeemed or substituted by the Issuer pursuant to this Condition 6, and all Notes purchased and surrendered for cancellation pursuant to Condition 6(h) (*Purchase*), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.
- (j) **Trustee role on substitution or variation:** The Trustee shall, at the request and expense of the Issuer, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities *provided that* the Trustee shall not be obliged to co-operate in or concur in any such substitution or variation of the terms referred to in this Condition 6 if the securities into which the Notes are to be substituted or are to be varied or such substitution or variation imposes, in the Trustee's opinion, more onerous obligations or duties upon it or exposes it to liabilities or reduces its protections. If the Trustee does not so co-operate or concur as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.
- (k) **Preconditions to redemption, substitution, variation and purchases:** Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having complied with the Relevant Rules including (to the extent then required by the Relevant Regulator or the Relevant Rules) on notification to, or consent or non-objection from, the Relevant Regulator and such redemption, substitution, variation or purchase being otherwise permitted under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules).

A certificate signed by two Authorised Signatories confirming such compliance shall be conclusive evidence of such compliance and shall be accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

In the case of a redemption or purchase that is to occur within five years of the Reference Date, if required by the Relevant Rules:

- (i) such redemption or purchase shall be funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes and shall be otherwise permitted under the Relevant Rules; or
- (ii) such redemption or purchase shall be effected by the exchange or conversion of such Notes into another form of capital of at least the same quality as the Notes and shall be otherwise permitted under the Relevant Rules; or

- (iii) (in the case of a redemption pursuant to Condition 6(c) (*Redemption, substitution or variation for taxation reasons*) or Condition 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) only) such redemption shall be subject to:
 - (A) the Relevant Regulator being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans);
 - (B) in the case of any redemption following the occurrence of a Tax Law Change pursuant to Condition 6(c) (*Redemption, substitution or variation for taxation reasons*) only, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change in tax treatment is material;
 - (C) in the case of any redemption following the occurrence of a Capital Disqualification Event pursuant to Condition 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) only, the Relevant Regulator considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and
 - (D) in the case of redemption pursuant to Condition 6(c) (*Redemption, substitution or variation for taxation reasons*) or Condition 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*), the Issuer having demonstrated to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable as at the Reference Date.

Notwithstanding the above requirements of this Condition 6(k), if, at the time of any redemption, substitution, variation or purchase, the Relevant Rules permit the redemption, substitution, variation or purchase only after compliance with one or more alternative or additional conditions to those set out above (if and to the extent required or applicable in order for the Notes to qualify as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules from time to time), the Issuer shall comply with such alternative and/or, as appropriate additional condition(s) as are then so required.

- (l) ***Compliance with stock exchange rules:*** In connection with any substitution or variation of the Notes in accordance with Condition 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) or 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

7. **Payments**

- (a) ***Principal:*** Payments of principal shall be made by transfer to a Sterling account maintained by or on behalf of the payee with a bank that accepts payments in Sterling and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Principal Paying Agent.
- (b) ***Interest:*** Payments of interest (including Arrears of Interest) shall be made by transfer to a Sterling account maintained by or on behalf of the payee with a bank that accepts payments in Sterling and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Principal Paying Agent.

- (c) ***Payments subject to fiscal laws:*** All payments are in all cases subject to any applicable fiscal or other laws, regulations and directives in any jurisdiction and the Issuer will not be liable to pay any additional amount in respect of taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations or directives, but without prejudice to the provisions of Condition 8 (*Taxation*). For the purpose of this paragraph, the phrase "subject to any applicable fiscal or other laws, regulations and directives" shall include any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, (the "**Code**") or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretation thereof, or any law implementing an intergovernmental approach thereto.
- (d) ***Payments on business days:*** Where payment is to be made by transfer to a Sterling account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of the Principal Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) ***Partial payments:*** If the Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) ***Record date:*** Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").
- (g) ***No commissions:*** No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.
- (h) ***Agents:*** The names of the initial Agents and their initial Specified Offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, *provided that* the Issuer will at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent.

Notice of any termination or appointment and of any changes in Specified Offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15 (*Notices*).

If the Principal Paying Agent or the Registrar is unable or unwilling to continue to act as such the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution in the United Kingdom acceptable to the Trustee to act as such in its place.

8. **Taxation**

All payments of principal, interest and any other amounts in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts in respect of any interest

payments in respect of any Note (but not in respect of principal or payments of any other amounts in respect of the Notes) as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them in respect of interest on the Notes had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the United Kingdom other than the mere holding of the Note; or
- (b) held by a Holder who would have been able to avoid such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption in the place where the relevant Note Certificate is presented for payment; or
- (c) where (in the case of a payment of interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to interest shall be deemed to include any additional amounts in respect of interest which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

9. Events of default

- (a) ***Rights to institute and/or prove in a winding-up of the Issuer:*** Notwithstanding any of the provisions below in this Condition 9, the right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where a relevant payment by the Issuer under the Notes or the Trust Deed has become due and is not duly paid.

Pursuant to Condition 2(c) (*Solvency Condition*), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not, or would not be, satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment will be deferred and not be due if Condition 5(a) (*Regulatory Deficiency Deferral of Interest*) applies, and, in the case of any payment of principal, such payment will be deferred and will not be due if Condition 6(b) (*Deferral of redemption date*) applies or the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules), or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If:

- (i) a default is made by the Issuer for a period of 14 days or more in the payment of any interest due (including, without limitation, Arrears of Interest, if any) or principal due in respect of the Notes or any of them; or
- (ii) an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or an administrator of the Issuer is appointed and gives notice that it intends to declare and distribute a dividend,

the Trustee at its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary

Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction):

- (A) in the case of (i) above, institute proceedings or take any steps or actions for the winding-up of the Issuer by a competent court in England and Wales (but not elsewhere) and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment; and/or
- (B) in the case of (ii) above, prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment,

but (in either case) may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection (if required) from, the Relevant Regulator, which the Issuer shall provide a copy of to the Trustee or certify in writing to the Trustee that such consent or non-objection (if required) from the Relevant Regulator has been received, upon which certificate the Trustee shall be entitled to rely without further investigation and without any liability to any person.

- (b) ***Amount payable on a winding-up or administration of the Issuer:*** If an order is made by a competent court in England and Wales or an effective resolution is passed for the winding-up of the Issuer (except for an Approved Winding-up but including, for the avoidance of doubt, a winding-up initiated pursuant to Condition 9(a) (*Rights to institute and/or prove in a winding-up of the Issuer*)) or where an administrator of the Issuer has been appointed and has given notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable at the amount equal to their principal amount together with any Arrears of Interest (if any) and any other accrued and unpaid interest and, if applicable, any damages awarded for breach of any obligations under the Notes or the Trust Deed.

Claims against the Issuer in respect of such amounts will be subordinated in accordance with Condition 2(b) (*Subordination*).

- (c) ***Enforcement:*** Without prejudice to Condition 9(a) (*Rights to institute and/or prove in a winding-up of the Issuer*) or 9(b) (*Amount payable on a winding-up or administration of the Issuer*), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal, interest or Arrears of Interest in respect of the Notes or any payment of damages awarded for breach of any obligations under the Notes or the Trust Deed) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

Nothing in this Condition 9(c) shall, however, prevent the Trustee, subject to Condition 9(a) (*Rights to institute and/or prove in a winding-up of the Issuer*), instituting proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and/or proving in any winding-up or administration of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligation of the Issuer, in each case

where such payment obligation arises from the Notes or the Trust Deed (including, without limitation, payment of any principal, interest or Arrears of Interest in respect of the Notes or any payment of damages awarded for breach of any obligations under the Notes or the Trust Deed).

- (d) **Entitlement of Trustee:** The Trustee shall not be bound to take any of the actions referred to in Conditions 9(a) (*Rights to institute and/or prove in a winding-up of the Issuer*), 9(b) (*Amount payable on a winding-up or administration of the Issuer*) or 9(c) (*Enforcement*) above against the Issuer to enforce the terms of the Trust Deed, the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (e) **Right of Noteholders:** No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9.
- (f) **Extent of Noteholders' remedy:** No remedy against the Issuer other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

10. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years (in the case of principal) and five years (in the case of interest and Arrears of Interest) of the appropriate Relevant Date.

11. **Replacement of Note Certificates**

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

12. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances including provisions relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor or of the Notes), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual

Noteholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be under any duty to monitor, supervise or enquire as to whether any event or circumstance has happened or exists or to satisfy itself as to the functions or any acts of the Issuer or any other person for the purposes of these Conditions and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so. Unless and until the Trustee and/or the relevant Agent has written notice of the occurrence of any event or circumstance within these Conditions, it shall be entitled to assume that no such event or circumstance exists. In addition, the Trustee and the Agents are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

13. **Meetings of Noteholders; Modification and Waiver**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders (including by way of audio and/or video conference call) to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction). The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (ii) to amend the provisions of clauses 2.5.2 (*Status and Subordination of the Notes*) or 2.5.3 of the Trust Deed, or Condition 2(b) (*Subordination*); (iii) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under these Conditions or clause 6.3 (*Substitution*) of the Trust Deed); (iv) to change the currency of payments under the Notes; and (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

The Trust Deed provides that (i) a resolution passed, at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast or (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding shall, in either case, be effective as an Extraordinary Resolution of the Holders and shall be binding on all Noteholders whether or not they so participated. Any resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 6(c) (*Redemption, substitution or variation for taxation reasons*), 6(d) (*Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*) such that they become

or remain Qualifying Tier 2 Securities or Condition 6(e) (*Redemption, substitution or variation at the option of the Issuer due to a Rating Methodology Event*) such that they become or remain Rating Agency Compliant Securities and to which the Trustee concurred in pursuant to the relevant provisions of Condition 6 or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 14 (*Substitution of Issuer*).

- (b) **Modification and waiver:** The Trustee may, without the consent of the Noteholders, agree to (i) any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders, and (ii) any modification of the Notes or the Trust Deed which is, in the opinion of the Trustee, of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and, unless the Trustee otherwise agrees, shall be notified to the Noteholders as soon as practicable thereafter.

- (c) **Notice to Relevant Regulator:** No modification to these Conditions or any provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice to, and received consent or no objection from, the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept) and the Issuer shall promptly provide a copy of any such consent (or certify in writing that it has received no objection, upon which certificate the Trustee shall be entitled to rely without further investigation and without liability to any person) to the Trustee.

14. **Substitution of Issuer**

The Trustee may agree with the Issuer, without the consent of the Noteholders:

- (a) to the substitution of a Related Undertaking of the Issuer (or any previous substitute or successor in business under this sub-paragraph) or a successor in business of the Issuer (or any previous substitute or successor in business under this sub-paragraph) in place of the Issuer (or of any previous substitute or successor in business under this sub-paragraph) as principal debtor under the Trust Deed and the Notes, *provided that* (in the case of a substitution of a Related Undertaking of the Issuer (or any previous substitute or successor in business)) the Notes are guaranteed by the Issuer (or any previous substitute or successor in business under this sub-paragraph) on a subordinated basis ranking equal with the ranking of the Notes prior to such substitution; and/or
- (b) the addition of a Related Undertaking of the Issuer (or substitute Issuer) as a guarantor of the Issuer's (or substitute Issuer's) obligations under the Trust Deed and the Notes,

(each such substitute or, where applicable, guarantor being hereinafter referred to as the "**Substituted Obligor**") *provided that* in each case:

- (i) a trust deed or some other form of undertaking, supported by one or more legal opinions, is executed by the Substituted Obligor in a form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substituted Obligor has been named in the Trust Deed and the Notes, as the principal debtor in place of the Issuer, or where applicable, as a guarantor of the Issuer (or any previous Substituted Obligor, as the case may be);

- (ii) the Substituted Obligor confirms to the Trustee in one or more legal opinions addressed to the Trustee and the Issuer in a form approved by and provided to the Trustee that (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its assumptions of the duties and liabilities as Substituted Obligor under the Trust Deed and the Notes in place of the Issuer or as a guarantor of the Issuer or, as the case may be, any previous Substituted Obligor and (ii) such approvals and consents are at the time of substitution in full force and effect, and the Trustee shall be entitled to rely absolutely on such legal opinions without liability to any person;
- (iii) two directors (or other officers acceptable to the Trustee) of the Substituted Obligor certify that the Substituted Obligor is solvent at the time at which the substitution is proposed to be in effect, and immediately thereafter, and the Trustee shall be entitled to rely absolutely on such certification without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substituted Obligor or to compare the same with those of the Issuer or any previous Substituted Obligor;
- (iv) (without prejudice to the generality of the foregoing) the Trustee may, in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes if in the opinion of the Trustee such change would not be materially prejudicial to the interests of the Noteholders;
- (v) if the Substituted 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 (or any previous Substituted Obligor) is subject generally (the "**Original Territory**"), the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 (*Taxation*) with the substitution in the definition of "Relevant Jurisdiction" (for the purposes of Condition 8 (*Taxation*) and Condition 6(c) (*Redemption, substitution or variation for taxation reasons*)) of references to the Original Territory with references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly;
- (vi) if the Substituted Obligor is, or becomes, incorporated or organised under the laws of a jurisdiction other than England and Wales, references in these Conditions and the Trust Deed to the winding-up of the Issuer by a court in England and Wales shall be construed as references to a court of competent jurisdiction in such other jurisdiction;
- (vii) the Issuer and the Substituted Obligor comply with such other requirements as the Trustee may direct in the interests of the Noteholders; and
- (viii) in the case of a full substitution of the Issuer pursuant to Condition 14(a) (*Substitution of Issuer*) above only, if the Notes are rated (where such rating was assigned at the request of the Issuer) by one or more credit rating agencies of international standing immediately prior to such substitution, the Notes shall continue to be rated by each such rating agency immediately following such substitution, and the credit ratings assigned to the Notes by each such rating agency immediately following such substitution will be no less than those assigned to the Notes immediately prior thereto.

Any such substitution shall be notified by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

In connection with any proposed substitution as aforesaid, 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 resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder 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 except to the extent already provided in Condition 8 (*Taxation*) and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any substitution pursuant to this Condition 14 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator. The Issuer shall promptly provide a written copy of any such notification or consent (or certify in writing that it has received no objection, upon which certificate the Trustee shall be entitled to rely without further investigation and without liability to any person) to the Trustee.

15. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. In addition, so long as the Notes are admitted to trading on any stock exchange, the Issuer shall ensure that notices are duly given or published in a manner which complies with the rules and regulations of such stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after the date of mailing or the date of publication or, if so published more than once or on different dates, the date of the first publication.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes ("**Further Notes**"), *provided that* the issue date of such Further Notes falls not less than ten years prior to the Maturity Date. Any Further Notes shall be constituted by a deed supplemental to the Trust Deed.

17. **Governing Law**

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

18. **Defined Terms**

In these Conditions:

"**Approved Winding-up**" means a solvent winding-up of the Issuer solely for the purposes of (i) either a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution, or (ii) the substitution of a successor in business of the Issuer which has previously been approved in writing by the Trustee or by an Extraordinary Resolution or which is effected in accordance with Condition 14 (*Substitution of Issuer*), which in the case of either (i) or (ii), does not provide that the Notes shall thereby become payable;

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

"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;

"Authorised Denomination" has the meaning given in Condition 1 (*Form and Denomination*);

"Authorised Signatory" means any Director, or any other person or persons notified to the Trustee by any Director as being an Authorised Signatory pursuant to clause 5.16 (*Authorised Signatories*) of the Trust Deed;

"Business Day" means: (i) except for the purposes of Conditions 3 (*Register, Title and Transfers*) and 7(d) (*Payments on business days*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London; (ii) for the purposes of Condition 3 (*Register, Title and Transfers*), a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Agent has its Specified Office; and (iii) for the purpose of Condition 7(d) (*Payments on business days*), any day on which banks are open for general business (including dealings in foreign currencies) in London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed);

"Calculation Amount" has the meaning given in Condition 4(c) (*Calculation of Interest*);

a **"Capital Disqualification Event"** shall occur if, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the whole or any part of the principal amount of the Notes then outstanding is excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Insurance Group (whether on a solo, group or consolidated basis), except where such non-qualification is only as a result of the aggregate amount of eligible items available to be counted towards Tier 2 Capital (or a relevant component part thereof) exceeding any applicable upper limit on the aggregate amount or proportion of such items permitted to be so counted by the Issuer or the Insurance Group (other than a limit derived from any transitional or grandfathering provisions under the Relevant Rules);

"Directors" means the directors of the Issuer from time to time;

"EUWA" means the European Union (Withdrawal) Act 2018;

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"Further Notes" has the meaning given to it in Condition 16 (*Further Issues*);

"Group Insurance Undertaking" means an insurance undertaking or reinsurance undertaking within the meaning of the Relevant Rules whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Insurance Group pursuant to the Relevant Rules;

"Holder" has the meaning given in Condition 3(a) (*Register*);

"Insolvent Insurer Winding-up" means:

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

in each case, where the Issuer has determined, acting reasonably, that the assets of that Group Insurance Undertaking may or will be insufficient to meet all the claims of the policyholders and/or beneficiaries pursuant to contracts of insurance or reinsurance written by that Group Insurance Undertaking which is in winding-up or administration (and for these purposes, the claims of such policyholders or such beneficiaries pursuant to a contract of insurance or reinsurance shall include all amounts to which such policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance or reinsurance companies to reflect any right to receive or expectation of receiving benefits which such policyholders or such beneficiaries may have);

"Insurance Group" means, at any time, the Issuer and its Subsidiaries at such time;

"Interest Payment Date" has the meaning given in Condition 4(a) (*Interest*);

"Interest Period" means a period from (and including) one Interest Payment Date (or in the case of the first Interest Period only, the Issue Date) up to (but excluding) the next following Interest Payment Date;

"IP completion day" has the meaning given in the European Union (Withdrawal Agreement) Act 2020;

"Issue Date" has the meaning given in Condition 4(a) (*Interest*);

"Junior Securities" has the meaning given to it in Condition 2(b) (*Subordination*);

"Level 2 Regulations" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as amended before the IP completion day, including by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019;

"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 may determine;

"Maturity Date" means 6 January 2034;

"Minimum Capital Requirement" means the Minimum Capital Requirement, the minimum consolidated group Solvency Capital Requirement or such other applicable minimum capital requirements (as applicable) referred to in the Relevant Rules, in each case as may be applicable to the Issuer and/or the Insurance Group (whether on a solo, group or consolidated basis) pursuant to the Relevant Rules;

"Note Certificate" has the meaning given in Condition 3(a) (*Register*);

"Noteholder" has the meaning given in Condition 3(a) (*Register*);

"Original Territory" has the meaning given in Condition 14 (*Substitution of Issuer*);

"Parity Creditors" means creditors of the Issuer whose claims rank, or are expressed to rank by their terms, *pari passu* with the claims of the Noteholders, including holders of Parity Securities;

"Parity Obligations" means the £200,000,000 5.500 per cent. Subordinated Notes due 2024 issued by the Issuer (ISIN: XS1090334050);

"Parity Securities" has the meaning given to it in Condition 2(b) (*Subordination*);

"Qualifying Tier 2 Securities" means securities issued directly by the Issuer or by another entity and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 2(b) (*Subordination*) and in the Trust Deed) that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank or independent financial adviser of international standing, and *provided that* a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser of international standing and in respect of the matters specified in (1)-(6) and paragraphs (b) and (c) below) signed by two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities), *provided that* they shall (1) contain terms which comply with the Relevant Rules to qualify as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules; (2) bear the same rate of interest from time to time applying to the Notes and preserve the

same Interest Payment Dates; (3) rank senior to, or *pari passu* with, the ranking of the Notes or, if issued by another entity, benefit from a guarantee granted by the Issuer which ranks senior to, or *pari passu* with, the ranking of the Notes; (4) preserve the obligations of the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption; (5) preserve any existing rights under these Conditions to any accrued interest, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders but not been paid; and (6) do not contain terms providing for or requiring the Issuer to write down or convert into equity the whole or any part of the principal amount of the Qualifying Tier 2 Securities (save insofar as it is necessary in order to give effect to the exercise of any bail-in power by the relevant insurer resolution authority under any insurance resolution regime then applicable to the Issuer and/or the Insurance Group);

- (b) if the Notes were listed or admitted to trading on a Recognised Stock Exchange immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Recognised Stock Exchange; and
- (c) where the Notes which have been substituted or varied had a published rating (which has been solicited by the Issuer) from a rating agency immediately prior to their substitution or variation, each such rating agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Qualifying Tier 2 Securities;

"Rating Agency" means Fitch Ratings Ltd (or any affiliate or successor rating agency);

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

- (a) Qualifying Tier 2 Securities; and
- (b) assigned by the Rating Agency substantially the same equity credit in the capital adequacy assessment as that or, at the absolute discretion of the Issuer, a lower equity credit in the capital adequacy assessment (provided such equity credit is still higher than the equity credit assigned to the Notes immediately after the occurrence of the relevant Rating Methodology Event) than that which was (i) first assigned by the Rating Agency to the Notes on or around the Issue Date or (ii) (if Further Notes have been issued) assigned by the Rating Agency to the Notes on or around the Reference Date in connection with an issue of Further Notes and *provided that* a certificate to such effect of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further investigation and without liability to any person) prior to the issue of the relevant securities; references herein to **"equity credit"** mean equity credit or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of total capital;

"Rating Methodology Event" means at any time, as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of the Rating Agency on or after the Reference Date, the equity credit in the capital adequacy assessment (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of total capital) assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to the equity credit which was (a) first assigned by the Rating Agency to the Notes on or around the Issue Date or (b) (if this is lower) assigned by the Rating Agency to the Notes as at (or in connection with an issue of Further Notes) the Reference Date;

"Recognised Stock Exchange" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as amended or re-enacted from time to time, and any provision, statute or statutory instrument replacing the same from time to time;

"Record Date" has the meaning given in Condition 7(f) (*Record Date*);

"Reference Date" means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 16 (*Further Issues*);

"Register" has the meaning given in Condition 3(a) (*Register*);

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

"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and such breach is an event) which under the Relevant Rules requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and where the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes in accordance with any pre-conditions to such waiver being capable of being granted as prescribed by the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and the Insurance Group under the Relevant Rules);

"Regulatory Deficiency Redemption Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is, an event) which under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes and where the Relevant Regulator has not waived the requirement to defer or suspend repayment or redemption of the Notes in accordance with any pre-conditions to such waiver being capable of being granted as prescribed by the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital of the Issuer and the Insurance Group under the Relevant Rules);

"Related Undertaking" means in relation to any person, (i) any subsidiary undertaking or parent undertaking of that person or (ii) any subsidiary undertaking of any such parent undertaking;

"Relevant Date" has the meaning given in Condition 8 (*Taxation*);

"Relevant Jurisdiction" means (i) the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of interest (including Arrears of Interest) on the Notes or (ii) if the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom in respect of payments made by it of interest (including Arrears of Interest) on the Notes reference in this definition to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction;

"Relevant Regulator" means the Bank of England acting as the UK Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Insurance Group;

"Relevant Rules" means, at any time, any legislation, rules, guidelines or regulations or expectations set forth in applicable published supervisory statements (whether having the force of law or otherwise) then applying to the Issuer or the Insurance Group relating, but not limited, to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules, guidelines, regulations or expectations set forth in applicable published supervisory statements of the Relevant Regulator relating to such matters;

"Reserved Matter" has the meaning given in Condition 13(a) (*Meetings of Noteholders*);

"Senior Creditors" means:

- (a) all policyholders of the Issuer (if any) and all beneficiaries under any contracts of insurance or reinsurance written by the Issuer (if any) (and, for the avoidance of doubt, the claims of Senior Creditors who are policyholders or such beneficiaries (if any) shall include all amounts to which any such policyholder or such beneficiary would be entitled in its capacity as policyholder or beneficiary under any applicable legislation or rules relating to a winding-up of insurance or reinsurance companies to reflect any right to receive, or expectation of receiving, benefits which policyholders or such beneficiaries may have);
- (b) creditors of the Issuer (other than policyholders and such beneficiaries) who are unsubordinated creditors of the Issuer; and
- (c) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Issuer in respect of any obligation of any other person which constitute), or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or Tier 2 Capital or whose claims otherwise rank, or are expressed to rank by their terms, *pari passu* with, or junior to, the claims of the Noteholders);

"Solvency II" means the United Kingdom transposition of the Solvency II Directive, the Level 2 Regulations and any direct EU legislation (as defined in the EUWA) which immediately before the IP completion day implemented the Solvency II Directive and/or the Level 2 Regulations, as they each form part of retained European Union law (as defined in the EUWA), as amended in accordance with United Kingdom domestic law from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise);

"Solvency II Directive" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended before the IP completion day);

"Solvency Capital Requirement" means the Solvency Capital Requirement or the consolidated group Solvency Capital Requirement (as applicable) referred to in, or any other applicable capital requirement (other than the Minimum Capital Requirement) howsoever described in, the Relevant Rules, in each case as may be applicable to the Issuer and/or the Insurance Group (whether on a solo, group or consolidated basis) pursuant to the Relevant Rules;

"Solvency Condition" has the meaning given in Condition 2(c) (*Solvency Condition*);

"Sterling" and **"£"** means the lawful currency of the United Kingdom;

"Subsidiary" means a subsidiary or subsidiary undertaking of the Issuer whose affairs are for the time being required to be fully consolidated in the audited consolidated financial statements of the Issuer;

"Substituted Obligor" has the meaning given in Condition 14 (*Substitution of Issuer*);

"Substituted Territory" has the meaning given in Condition 14 (*Substitution of Issuer*);

"successor in business" has the meaning given to it in the Trust Deed;

"Tax Law Change" has the meaning given in Condition 6(c) (*Redemption, substitution or variation for taxation reasons*);

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

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

"United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. **Initial Issue of Certificates**

The Global Note Certificate (as defined in the Trust Deed) will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the Issue Date.

Upon the registration of the Global Note Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Note Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

2. **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by the Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for their share of each payment made by the Issuer to the holder of the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Note Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note Certificate in respect of each amount so paid.

3. **Exchange**

Interests in the Global Note Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for definitive Notes only if:

- (i) an Event of Default (as defined in the Trust Deed) has occurred and is continuing; or
- (ii) the Issuer has been notified that Euroclear and Clearstream, Luxembourg are both closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or both announce an intention permanently to cease business or do in fact do so.

Any reference herein to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so permits, be deemed to include a reference to any Alternative Clearing System.

4. **Amendment to Conditions**

The Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 ***Payments***

All payments in respect of Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday (inclusive) except 25 December and 1 January. The calculation of all payments on the Notes will be made in respect of the total aggregate amount of the Notes represented by the Global Note Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, all in accordance with the Conditions and the Trust Deed.

4.2 ***Meetings***

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Note Certificate shall (unless the Global Note Certificate represents only one Note) be treated as being entitled to one vote in respect of each £1,000 in principal amount of the Notes.

4.3 ***Trustee's Powers***

In considering the interests of Noteholders while the Global Note Certificate is held on behalf of, or registered in the name of any nominee for, 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 entitlements to the Global Note Certificate and may consider such interests and treat such accountholders as if such accountholders were the holders of the Notes represented by the Global Note Certificate.

4.4 ***Notices***

So long as the Notes are represented by the Global Note Certificate and it is held on behalf of a clearing system, notices to Noteholders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions, *provided that*, so long as the Notes are admitted to trading on any stock exchange, notices will also be given or published in a manner which complies with the rules and regulations of any such stock exchange. A notice will be deemed to have been given to accountholders on the day on which such notice is sent to the relevant clearing system for delivery to entitled accountholders.

4.5 ***Electronic Consent and Written Resolution***

While the Global Note Certificate is registered in the name of any nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and *provided that*, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may

comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID/Easyway or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

DESCRIPTION OF THE ISSUER

1. INTRODUCTION AND HISTORY

The Issuer was incorporated and registered in England and Wales on 24 September 1999 under the Companies Act 1985 as a private company limited by shares with the name Admiral Group Limited and was registered under number 03849958. On 20 September 2004, the Issuer was re-registered as a public limited company and changed its name to Admiral Group plc. On 23 September 2004, the Issuer floated on the London Stock Exchange and, on 12 December 2007, the Issuer joined the FTSE 100 – it is proud to be Wales' only FTSE 100 company.

The principal legislation under which the Issuer operates is the Companies Act 2006, FSMA and the rules, regulations and guidance made thereunder, including (but not limited to) the rules and guidance contained in the FCA Handbook and the PRA Rulebook.

The head office and registered office of the Issuer is Tŷ Admiral, David Street, Cardiff, CF10 2EH. The telephone number of the Issuer is +44 (0)333 220 2062.

The Group is a global financial services company offering Motor, Household, Travel and Pet insurance, as well as personal lending products through its multiple brands and distribution channels. Headquartered in Cardiff, South Wales, the Group also has a strong international presence, with offices in countries including France, Italy, Spain, US, Canada, Gibraltar and India.

Financial highlights

Select key financial highlights for the Group are set out in the table below. For further information on the basis of preparation of these figures see Note 12 (*Share Capital*) and Note 14 (*Reconciliations*) to the 2022 Audited Consolidated Financial Statements, "Alternative Performance Measures" on pages 306 to 307 of Annual Report and Accounts 2022 of the Issuer, Note 12 (*Share Capital*) and Note 14 (*Reconciliations*) to the 2021 Audited Consolidated Financial Statements and "Alternative Performance Measures" on pages 312 to 313 of Annual Report and Accounts 2021 of the Issuer.

	As at and for the year ended 31 December		
	2022	2021 ⁽²⁾	2020
Group profit before tax (£, millions) ⁽¹⁾	469.0	769.0 ⁽³⁾	608.2
Basic earnings per share (EPS) (pence) ⁽¹⁾⁽²⁾	124.3	212.2	170.7
Return on equity (ROE) (per cent.) ⁽¹⁾⁽²⁾	35	56	52
Net revenue (£, billions) ⁽¹⁾	1.49	1.55	1.31
Turnover (£, billions) ⁽¹⁾	3.68	3.51	3.37
Customers (millions) ⁽⁴⁾	9.28	8.36	7.66
Dividend per share (pence)	112.0	187.0	156.5
Special dividends from sale of Penguin Portals (pence)	45.0	92.0	-
Group loss ratio (per cent.)	72.0	58.5	54.4
Group expense ratio (per cent.)	29.7	26.7	26.8
Group combined ratio (per cent.)	101.7	85.2	81.2

Notes:

⁽¹⁾ Presented on a continuing operations basis.

⁽²⁾ Excluding impact of one-off restructuring costs in 2021 totalling £55.5 million.

⁽³⁾ £713.5 million including impact of one-off restructuring costs.

⁽⁴⁾ As at 31 December 2022, the split of customers across the business segments was 53 per cent. in UK Motor, 25 per cent. in Beyond Motor and 22 per cent. in International Motor. As at 31 December 2022, the number of (i) UK customers was 7.2 million (4.9 million UK Motor customers, 1.6 million UK Household customers, 0.44 million UK Travel customers and 0.14 million UK Loans customers with a small balance of other customers and (ii) international customers (all motor customers) was 2 million (1.8 million EU customers and 0.2 million US customers).

The Group's business segments

The Group's business is split into four primary segments:

- *UK Insurance*: including UK motor (car and van), household, travel and newly launched pet insurance;

- *International Insurance*: the Group has motor insurance businesses in Spain, Italy, France and the US and a small household insurance business in France;
- *Admiral Money*: the Group offers unsecured personal loans and car finance products; and
- *Other*: including Admiral Pioneer (new ventures)

Select key financial highlights for the Group are set out in the table below. For further information on the basis of preparation of these figures see the information referred to in "*Financial highlights*" above, Note 4 (*Operating segments*) to the 2022 Audited Consolidated Financial Statements and Note 4 (*Operating segments*) to the 2021 Audited Consolidated Financial Statements.

	As at and for the year ended 31 December	
	2022	2021
UK Insurance		
Customers (<i>millions</i>)	6.96	6.44
Turnover (£, <i>millions</i>)	2,784.3	2,751.7
Net Insurance Premium revenue (£, <i>millions</i>)	628.8	612.6
Total premiums written (£, <i>millions</i>)	2,489.7	2,453.2
Profit before tax (£, <i>millions</i>) ⁽¹⁾	615.9	893.8
International Insurance		
Customers (<i>millions</i>)	2.04	1.81
Turnover (£, <i>millions</i>)	795.9	690.3
Net Insurance Premium revenue (£, <i>millions</i>) ⁽²⁾	241.8	221.0
Total premiums written (£, <i>millions</i>)	720.5	623.8
European Insurance profit/(loss) before tax (£, <i>millions</i>)	(4.9)	1.4
US Insurance profit/(loss) before tax (£, <i>millions</i>)	(48.9)	(13.0)
Total Profit/(loss) before tax (£, <i>millions</i>)	(53.8)	(11.6)
Admiral Money		
Customers	143,213	111,900
Net Revenue (£, <i>millions</i>)	44.9	28.8
Gross Balances (£, <i>billions</i>)	0.89	0.61
Profit/(loss) before tax (£, <i>millions</i>)	2.1	(5.5)
Other Group Items (including Pioneer)		
Share scheme charges, excluding restructure costs (£, <i>millions</i>) ⁽³⁾	(51.7)	(63.3)
Other central overheads (£, <i>millions</i>)	(16.3)	(19.8)
Finance charges (£, <i>millions</i>) ⁽⁴⁾	(12.1)	(11.4)
Admiral Pioneer (£, <i>millions</i>)	(15.6)	(10.2)
Other business development costs (£, <i>millions</i>)	(10.9)	(7.2)
Other interest and investment return (£, <i>millions</i>)	11.4	4.0

Notes:

- (1) Excluding restructure costs.
(2) Excluding Italy ancillaries.
(3) Share scheme charges exclude restructuring costs of £1.5 million, recognised in 2021.
(4) Includes £0.7 million intra-group interest expense (2021: £nil; 2020: £nil; 2019: £nil).

UK insurance

UK Motor insurance

Car insurance is the only compulsory form of personal insurance in the UK. Under the Road Traffic Act 1988, it is a criminal offence to use a car on public roads without having insurance to cover legal liabilities for injuries to others. Despite the relatively low statutory requirement of "third party personal injury" insurance, the vast majority of private drivers in the UK opt for fully comprehensive cover.

The UK car insurance market has historically been cyclical, categorised by periods of shortages of underwriting capacity and favourable premium levels as well as by periods of price competition due to excessive underwriting capacity. Market participants can generally be split into three groups: direct insurers; insurance brokers and intermediaries; and distributors, including those who use "white labelling" arrangements with utilities, retailers, and affinity groups to distribute products of insurance companies. The

internet remains a very important distribution channel for private motor insurance given the growth of price comparison websites with ease of use and competitive pricing making price comparison websites popular with consumers.

The Group is one of the largest car insurers in the UK and it is estimated to have a 17 per cent. share of the private car insurance market and a 7 per cent. share of the private home insurance market (Source: 2022 data from the Association of British Insurers (ABI)). The Group trades in the UK via four brands – Admiral, Bell, Diamond and Elephant and offers specialist van insurance through the Admiral Van brand. For the year ended 31 December 2022, pre-tax profit for the motor segment was £622.6 million and turnover was £2,493 million.

The Issuer estimates that in 2022, the year-on-year claims cost inflation was 11 per cent.

The UK car insurance business operates predominantly under the regulation of the FCA and PRA, and through a Gibraltar based insurance company, Admiral Insurance (Gibraltar) Limited ("**AIGL**"), under the GFSC, in that territory. The FCA and PRA regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited ("**AICL**") (an insurer), whilst the GFSC regulates AIGL (also an insurer).

Other UK Motor revenue

The Group generates other revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net other revenue are:

- profit earned from motor policy upgrade products underwritten by the Group, including breakdown, car hire and personal injury covers;
- revenue from other insurance products, not underwritten by the Group;
- fees such as administration and cancellation fees; and
- interest charged to customers paying for cover in instalments.

Overall contribution (other revenue net of costs plus instalment income) in 2022 was broadly consistent at £232.3 million (2021: £225.5 million (excluding restructure costs)).

UK Motor Income Statement

The table below sets out key financial information for the UK Motor insurance business of the Group. For further information on the basis of preparation of these figures see Note 4 (*Operating segments*), Note 5 (*Premium, claims and profit commissions*) and Note 14 (*Reconciliations*) to the 2022 Audited Consolidated Financial Statements, "Alternative Performance Measures" on pages 306 to 307 of Annual Report and Accounts 2022 of the Issuer, Note 4 (*Operating segments*), Note 5 (*Premium, claims and profit commissions*) and Note 14 (*Reconciliations*) to the 2021 Audited Consolidated Financial Statements and "Alternative Performance Measures" on pages 312 to 313 of Annual Report and Accounts 2021 of the Issuer.

UK Motor Income Statement (£m)	2022	2021¹	Change
Total written premium.....	2,217.9	2,244.3	(26.4)
Net premium revenue.....	471.0	496.5	(25.5)
Investment return	35.0	40.8	(5.8)
Current year claims	(460.9)	(391.3)	(69.6)
Releases – original net share	124.0	128.1	(4.1)
Releases – on commuted RI share.....	189.1	189.2	(0.1)
Insurance expenses ²	(138.1)	(107.7)	(30.4)
Underwriting result.....	220.1	355.6	(135.5)
Profit commission	170.2	290.6	(120.4)
Other revenue.....	232.3	225.5	+6.8
UK Motor profit.....	622.6	871.7	(249.1)
Reported loss ratio	71.5%	53.0%	+18.5pts

UK Motor Income Statement (£m)	2022	2021¹	Change
Expense ratio.....	21.8%	19.7%	+2.1pts
Reported combined ratio.....	93.3%	72.7%	+20.6pts
Current year loss ratio.....	97.8%	78.8%	+19.0pts

¹ Notes: Excludes restructure costs

² Notes: Includes claims handling costs

UK Car Ultimate Loss Ratio

The table below sets out the projected actuarial best estimate loss ratio for the Group's UK motor business:

UK Car projected ultimate loss ratio	Accident Year Basis	
	2020	2021
First projection of accident year*	66%	73%
Current ultimate loss ratio projection	57%	68%

*2022: accident year first year projection is approximately 90%

UK Household insurance

The Group launched a household product in 2012 and it was the Group's first diversification product beyond car insurance. The household book continued to grow in 2022, with the number of households increasing by 20 per cent. to 1.58 million (2021: 1.32 million) and turnover increasing by 17 per cent. to £255.4 million (2021: £218.8 million).

Weather events are a feature of household insurance, with severe events generally occurring every few years. Claims costs tend to be higher when a severe weather event occurs, and the unpredictability of such events can have an impact on profitability. The winter in 2022 saw some weather leading to higher storm and freeze claims, together with a warm summer which unfortunately also led to elevated subsidence costs. This severe weather, combined with inflationary pressures, negatively impacted the Group's household result by £32 million, leading to a loss of £6.3 million.

International insurance

The Group has established car insurance businesses in Spain (Balumba and Qualitas Auto), Italy (ConTe), France (L'olivier Assurances) and the US (Elephant Auto), as well as a small household business in France. The Group leverages the knowledge, skills, and resources from its established UK business to promote expansion overseas and grow both its international businesses and new ventures outside of insurance underwriting.

The Group sells its car insurance to private customers using a multi-channel strategy similar to that used in the UK. The positive growth trajectory of this business continued in 2022 with customer numbers increasing by 13 per cent. to 2.04 million (2021: 1.81 million) and combined turnover rising by 15 per cent. to £795.9 million (2021: £690.3 million). The combined European motor result reflected a net loss of £1.6 million (2021: £4.8 million), with profitability in Italy offset by more challenging outcomes because of competitive market pressures in France and Spain.

The Group's insurance business in Spain, Italy and France is underwritten by AECS. The Group's insurance business in the US is underwritten by Elephant Insurance Company, which is regulated by the Virginia State Corporation Commission's Bureau of Insurance.

Admiral Money

Outside of the Group's insurance businesses, Admiral Money distributes and underwrites unsecured personal loans and car finance products for UK customers through price comparison, credit scoring applications and direct channels. Admiral Money is funded through a combination of internal and external financing sources.

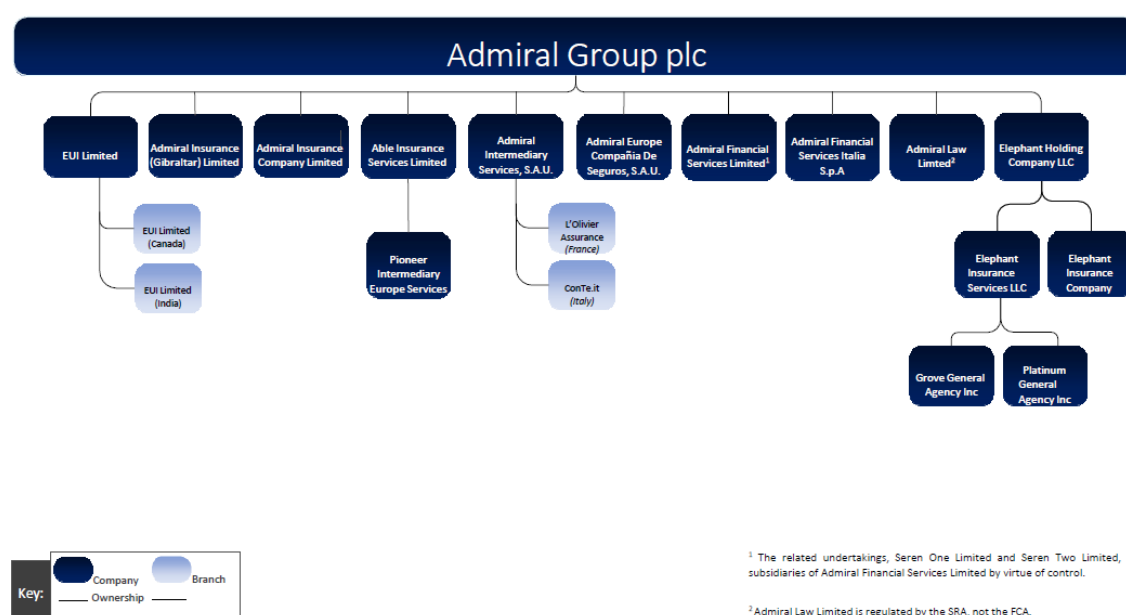
Since launching in 2017, Admiral Money has provided more than 250,000 customers with over two billion pounds of loans. It is making continued progress integrating more closely with the UK insurance business to offer loans to the customers of that business, with over 50 per cent. of new customer flows from either current or recent Admiral insurance customers. In 2022, Admiral Money posted its first profit of £2.1 million; an important milestone for the business.

Other Group Items (including Admiral Pioneer)

Within this segment sits Admiral Pioneer, launched in 2020 to focus on new product diversification opportunities and, until recently, a small price comparison business in the US. The Group also continues to invest in growing new businesses under the Admiral Pioneer umbrella – notably Veygo (flexible short term car insurance) and Toolbox by Admiral (business insurance for tradespeople). In 2022, Admiral Pioneer made its first strategic investment into Wagonex (see "*Competitive Strengths – Record of innovation*" below). Admiral Pioneer made a loss of £15.6 million in 2022 (2021: loss of £10.2 million).

2. ORGANISATIONAL STRUCTURE OF THE GROUP

The Issuer is the ultimate holding company of the Group. Included within the Group's assets are its investments in Group companies. The chart below provides a high-level overview of the Group structure, consisting of the Issuer's subsidiaries and branches.



As at the date of this Prospectus, all companies are wholly owned (directly or indirectly) by the Issuer, except Admiral Law, which is 95 per cent. owned by the Group, and 5 per cent. by an external shareholder.

All companies are registered in England & Wales, except:

- AIGL, registered in Gibraltar.
- Admiral Europe Compañía de Seguros, S.A.U., registered in Spain ("AECS").
- Admiral Intermediary Services, S.A.U., registered in Spain.
- Elephant Holding Company LLC, registered in Delaware, USA.
- Elephant Insurance Services LLC, registered in Delaware, USA.
- Elephant Insurance Company, registered in Virginia, USA.
- Pioneer Intermediary Europe Services, registered in France.
- Admiral Financial Services Italia S.p.A., registered in Italy.

3. **COMPETITIVE STRENGTHS**

The Group has a number of key competitive strengths that have enabled it to grow profitably and which underpin the Group's businesses.

Company culture

The four pillars of the Group's culture – communication, equality, reward and recognition and fun – underpin working life at the Group.

Communication is encouraged and the Group regularly measures and evaluates staff satisfaction. Group CEO, Milena Mondini, and senior management operate an open-door policy and regularly engage with colleagues. To ensure a two-way communication platform and an effective means by which the views of the workforce can be heard, the Board established a UK Employee Consultation Group in 2019 and an International Employee Consultation Group was formalised in 2022.

The Group has received a series of awards in the UK and overseas, demonstrating an ability to export the company culture overseas.

Employee share ownership is used to give staff a vested interest in the success of the business – all colleagues (after completing a minimum of 12 months' service) receive shares in the Issuer every year.

Record of innovation

The Group has demonstrated its ability to innovate through its products, its multi-brand strategy, and its risk sharing co-insurance and reinsurance arrangements. For example, in the UK, the Group was the first insurer to introduce a 10-month term insurance policy and accelerated the adoption of MultiCar insurance and MultiCover.

As part of the Group's strategy to be the leading insurer in analytics and data, LittleBox Pod is a new telematics product that has been launched to customers. It works alongside the Admiral app to record where, when and how the customer drives.

In 2022, the Group's venture building business Admiral Pioneer made its first strategic investment into Wagonex, one of the UK's leading mobility subscription platform providers. Wagonex, designs, builds, and manages flexible, all-inclusive technology automotive subscriptions which enable vehicle suppliers to offer subscription options direct to consumers. This investment supports the Group's ambition to diversify and enhance its digital proposition and extend into new mobility trends.

Customer focus

Providing an excellent service for customers is essential to the future growth of the Group, both in the UK and overseas. The Group remains focused on 'the customer, the customer, the customer' and customer numbers have grown from 3.6 million in 2012 to 9.3 million in 2022, representing a compounded annual growth rate of 10 per cent.

Due to its direct contact with its customers, the Group has the ability to respond more quickly to a claim than would be possible in an intermediated relationship, increasing the chances of a quicker, less costly settlement and better customer service. The relationship with Admiral Law allows the Group to provide legal services in-house to administer 'non-fault' claims on behalf of customers.

Diversification

In addition to strengthening its core businesses, the Group is also looking at a multitude of diversification opportunities for the future. A diversification strategy is key to increasing the Group's resilience over the long term, as well as to improving the engagement and experience for customers. In 2022, Admiral Money, the UK loans business, delivered its first profit in its fifth year, the Group launched Pet insurance and new partnerships and distribution channels were developed in international insurance.

Strong financial and capital position

The Group maintains a level of capitalisation in line with its risk appetite and manages its balance sheet in accordance with regulatory and other capital metrics.

The Group manages its capital efficiently by limiting the amount of net (of co-insurance and reinsurance) underwriting risk retained; this provides a degree of resilience to a downturn in the underwriting cycle. More detail can be found in the section titled "*Underwriting Income and Profit Commission*".

The Group has a long-standing track record of managing the cyclicalities in the insurance industry effectively. The approach has continued to be that of focus and discipline, which means at times the Group has prioritised profitability over growth. This has sometimes required short term trade-offs, and the Group has done this more recently within the context of high claims inflation (especially in the UK and US). However, the decisions are made in the context of continuing to focus on building sustainable and profitable businesses in the long-term.

The Group maintains a balanced investment strategy (refer to the section titled "*Investment Strategy*" for further detail on investments).

Pricing expertise

Possessing a high level of competence at pricing is particularly important in a market dominated by price comparison. The Group uses an extensive and detailed set of data to assist in pricing and underwriting decisions. The Group considers it essential to obtain and analyse comprehensive and up-to-date data from its customers to allow it to price its products accurately. The Group also makes extensive use of third-party online databases to help provide such data.

The Group has made significant efforts to export its pricing expertise from the UK business to each of its overseas operations, adapting its approach according to the different conditions in each local market. The Group's businesses have flexible systems, direct access to data through direct access to the customer, use external databases, take a different perspective on rates, quote for a wider customer base and make more frequent changes.

4. BUSINESS MODEL AND STRATEGY

Business Model

The management of the Issuer are of the view that the Group has a strong, purpose-led business model that adds value and delivers difference. The Group's purpose is to help more people to look after their future. Always striving for better, together. The business model is achieved through offering excellent customer service, unique company culture, operational excellence, and efficient capital employment together with a track record of delivering profitable growth.

The Group's primary business is to sell car, van, home, travel, and pet insurance in the UK, Europe (Spain, France, Italy) and the US. The majority of the Group's customers buy their products through the price comparison channel, with a smaller proportion of customers buying directly from the Group, as well as the broker and agency channels. In addition to the core insurance products, the Group generates other revenue from the sale of ancillary add-ons and from fees generated over the life cycle of a policy and its other non-insurance businesses.

Outside of the UK, the Group leverages the knowledge, skills, and resources from its established UK business to promote expansion overseas and grow both its international businesses and new ventures outside of insurance underwriting.

Risk sharing

A key feature of the Group's business model and success is the use of extensive reinsurance and co-insurance partnerships. These are proportional risk-sharing agreements, where insurers outside of the Group underwrite the majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow the Group to retain a significant portion of the profit generated.

Investing premiums

The Group's profitability is primarily generated by the Group's underwriting activities, but it also generates investment income by investing the premiums it collects. The majority of the Group's profits are paid out in dividends, with a proportion held back to pay for claims and future investment opportunities, linked to the capital requirements for the business. The Group's investment strategy is focused on capital preservation and low volatility of returns. The Group has an asset liability matching strategy to control interest rate, inflation, and currency risk. The Group holds a prudent level of liquidity and has a high-quality credit profile (see further those sections of the Solvency and Financial Condition Report that are incorporated by reference into this Prospectus).

Sustainability

The Group takes its role in society very seriously and has an active approach to Corporate Responsibility which focuses on all stakeholders and the wider impact it has. The Group carefully considers its impact on the community and environment, including factors such as the green credentials of its buildings, raising funds for multiple charities and the impact of climate change across the business. In response to some of the devastating global weather events in 2022, the Group launched a new Global Emergency Fund to provide help to those affected.

In 2021, the Group developed a purpose-led sustainability approach which provides an agreed upon framework to focus investments and drive strong sustainable performance.

Strategy

There are three pillars to the Group's current strategy: Admiral 2.0, diversification and evolution of motor.

Admiral 2.0

The aim is to accelerate the evolution of the Group's core businesses toward "Admiral 2.0", an organisation that leverages on the Group's historical strengths whilst being even more agile and technology focused. This includes embracing smarter ways of working, attracting new talent and leveraging data and advanced analytics to constantly improve the customer experience.

Diversification

Diversification is a key element for the Group to build a sustainable business for the future. The approach has been to take the skills and learnings from its current business and find ways to leverage these core strengths to build successful future businesses.

The approach to product diversification is to make focussed, staged investments on a select number of new product opportunities across the financial services sector, whilst strengthening and complementing existing customer propositions.

Evolution of motor

The Group's third strategic pillar is built on evolving its proposition for changes in mobility. To stay close to these trends, it is harnessing its test and learn philosophy, looking at emerging propositions, and developing core competencies that will be relevant for the future. The Group is also looking for ways to innovate in product design to maintain its competitive position.

5. UNDERWRITING INCOME AND PROFIT COMMISSION

Co-insurance and reinsurance

The Group makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow the Group to retain a significant portion of the profit generated.

Although the primary focus and disclosure is in relation to the UK motor insurance book, similar longer-term arrangements are in place in the Group's international insurance operations and the UK household and van businesses.

UK Motor Insurance

Munich Re and its subsidiary entity, Great Lakes, currently underwrites 40 per cent. of the UK motor business. From 2022, 20 per cent. of this total is on a co-insurance basis (via Great Lakes) and will extend to 2029. The remaining 20 per cent. is on a quota share reinsurance basis and these arrangements now extend to 2026.

The Group also has other quota share reinsurance arrangements confirmed to at least 2024, covering 38 per cent. of the business written.

The nature of the co-insurance proportion underwritten by Munich Re (via Great Lakes) in the UK is such that 20 per cent. of all motor insurance premium and claims for the Group for 2022 accrue directly to Great Lakes and are not reflected in the Group's financial statements. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering this business.

The quota share reinsurance arrangements result in all motor insurance premiums, claims and expenses that are ceded to reinsurers being included in the Group's financial statements. These quota share agreements operate on a funds withheld basis and include certain features such as expense caps and an allocation of investment income earned on the funds held by the Group on behalf of the reinsurers. These features result in higher profit commission should the underwriting year reach profitability.

The Group tends to commute (i.e. conclude or terminate in return for a net payment by the reinsurer) its UK Car Insurance quota share reinsurance contracts 36 months after inception of an underwriting year, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

After an underwriting year is commuted, movements in financial statement loss ratios result in reserve releases (or strengthening if the loss ratios were to increase) rather than reduced or increased profit commission.

During the first half of 2022, just over half of the quota share reinsurance covering the 2020 underwriting year was commuted. The majority of quota share reinsurance covering 2019 and prior underwriting years was commuted prior to the start of this half year period.

UK Household Insurance

The Group's household insurance business is supported by long-term proportional reinsurance arrangements covering 70 per cent. of the risk, that run to at least 2024. In addition, the Group has non-proportional reinsurance to cover the risk of catastrophes stemming from weather events.

International Car Insurance

In both 2021 and 2022 the Group retained 35 per cent. (Italy), 30 per cent. (France) and 30 per cent. (Spain) of the underwriting risk in each country respectively. In the USA, 40 per cent. (2021: 45 per cent.) of the risk was retained within the Group.

Excess of loss reinsurance

The Group also purchases excess of loss reinsurance to provide protection against large claims and reviews this cover annually (see further detail in the section titled "*Excess of loss reinsurance*" below).

Profit commission

The Group is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the insurance business underwritten by the partner. Revenue is recognised in the income statement in line with the financial statement loss ratios on the Group's retained underwriting.

Group Underwriting

The Group's total premiums written in 2022 were £3,243.1 million (including co-insurers' share), with an underwriting profit of £143.3 million and profit commissions from co insurers and reinsurers amounting to £170.9 million.

The Group earns underwriting income on core car product and additional products underwritten.

6. CAPITAL STRUCTURE AND FINANCIAL POSITION

The Group continues to manage its capital to ensure that all entities are able to continue as going concerns and that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding company in the form of dividends.

The Group's regulatory capital is based on the Solvency II Standard Formula, with a capital add-on to reflect recognised limitations in the Standard Formula with respect to the Group's business, predominantly in respect of profit commission arrangements in co- and reinsurance agreements.

The Group continues to develop its partial internal model to form the basis of future capital requirements. As noted in the Annual Report and Accounts 2022, the expected timescale for formal application has been extended as a result of a decision by the Board to review certain aspects of the model. In the interim period before approval by the PRA of the partial internal model, the current capital add-on basis will continue to be used to calculate the regulatory capital requirement. A static capital add-on of £81 million was approved by the PRA in August 2017 and applies as at the date of this Prospectus. The Group is engaging with the PRA on the approval of an updated capital add-on which is expected by the Issuer to be materially lower than the current static add-on and expects this process to be completed during the second half of 2023.

For further information on the Group's capital structure and financial positions see those sections of the Solvency and Financial Condition Report that are incorporated by reference into this Prospectus.

Group capital position (audited)

The Group's solvency position based on the regulatory approved capital add-on, calculated at 31 December in each respective year and reported in the relevant annual Quantitative Reporting Template ("QRT") is summarised in the table below:

	As at 31 December		
	2022	2021	2020
<i>(£, millions, unless otherwise specified)</i>			
Regulatory solvency ratio (audited)			
Solvency Capital Requirement	742.8	724.9	689.0
Eligible Own Funds	1,103.8	1,312.3	1,440.3
Surplus	361.0	587.4	751.3
Solvency ratio (QRT basis) (per cent.)	149	181	209

The Group's eligible own funds currently include the fair value of the Existing Notes, although the intention of the Issuer is to use some of the proceeds from the issuance of the Notes to repurchase Existing Notes pursuant to a tender offer (see further "*Use and Estimated Net Amount of Proceeds*"). The rate of interest on the Existing Notes is fixed at 5.5 per cent. and the Existing Notes mature in July 2024. The Existing Notes qualify as tier two capital under the Solvency II regulatory regime.

As at the date of this Prospectus, the Group's capital does not include the Notes and will not do so until payment of the proceeds of the issuance on the Issue Date and then only up to the applicable upper limit of tier 2 items permitted to be so counted by the Group under the Relevant Rules.

The Group also calculates an unaudited solvency ratio that differs from the regulatory solvency ratios set out above for the following reasons:

- *Change in valuation date:* the unaudited solvency ratios are prepared at a different valuation date from the above regulatory solvency ratios, taking into consideration the additional own funds generated post year end, up to the approved dividend payment date; and

- *Other (including impact of dynamic capital add-on):* a different capital add-on is used, with the dynamic add-on responding to changes in the Group's risk profile on an ongoing basis, but not yet being approved by the PRA and therefore not used for the solvency calculations for the purposes of the relevant Solvency and Financial Condition Report. As noted above, the Group is engaging with the PRA on the approval of an updated add-on and expects this process to be completed in the second half of 2023. The unaudited solvency ratios reported also exclude the impact of changes made arising from the reporting finalisation process.

The unaudited solvency ratio is the basis on which the Group's capital is managed, being, in the view of the Issuer, the more accurate reflection of the Group's risk profile and solvency surplus on an on-going basis than the regulatory solvency ratio. The relationship between the regulatory approved add-on (which is based on a static capital add-on assessed and approved by the PRA in August 2017) and the dynamic, unapproved add-on is not fixed and in prior periods, (most recently at year end 2020) the regulatory solvency ratio reported in the relevant Solvency and Financial Condition Report has been higher than the unaudited solvency ratio.

	2022	2021	2020
		(per cent.)	
Solvency ratio (QRT basis) (audited)	149	181	209
Change in valuation date (estimated and unaudited)	11	5	5
Other (including impact of updated, unapproved capital add-on) (estimated and unaudited).....	20	9	(27)
Solvency ratio (estimated and unaudited)	180	195	187

The information to be used for the purposes of any calculations in respect of the requirements to defer payments of interest and/or principal under the Notes (including the relevant capital requirements and ratios) shall be the information prepared in compliance with the Relevant Rules, which shall be prepared on a basis equivalent to that used to prepare the relevant Solvency and Financial Condition Report of the Issuer. Therefore, the regulatory solvency ratios shall be relevant for such purposes and not the unaudited solvency ratios.

Solvency ratio sensitivities (estimated and unaudited)

Estimated sensitivities to the current Group unaudited solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

	As at 31 December		
	2022	2021	2020
		(per cent.)	
UK Motor – incurred loss ratio +5 per cent.....	-11	-9	-10
UK Motor – 1 in 200 catastrophe event.....	-1	-1	-1
UK Household – 1 in 200 catastrophe event	-4	-3	-2
Interest rate – yield curve down 50 basis points.....	+1	-3	-4
Credit spreads widen 100 basis points.....	-9	-9	-6
Currency – 25 per cent. adverse movement in euro and US dollar vs sterling	-3	-3	-3
Annual Survey of Hours and Earnings (ASHE) – long term inflation assumption up 50 basis points.....	-3	-5	-3
Loans – 100 per cent. worsening in loans loss experience.....	-1	-1	-1

The change in interest rate sensitivity reflects both the Group's continued focus on asset-liability matching and the change in impact of interest rate movements on the solvency capital requirement in higher yield environments.

7. PRICING AND CLAIMS MANAGEMENT

In support of the Group's UK diversification strategy, the Group has continued to invest in pricing and data analytics capabilities. The Group's unique approach to risk selection is built upon large amounts of claims experience, underwriting skill, and increasingly, on insights from big data and analytics.

The Group has led the market in taking strong pricing action to combat claims cost inflation, focusing on long-term value creation and offering fair and affordable pricing for customers. In 2022, the FCA introduced pricing reform in the UK which affected general insurance customers on a market-wide basis. The new pricing rules require that renewing motor and home insurance buyers are quoted prices that do not exceed what they would have paid as a new customer. The Group successfully implemented the new FCA pricing reform at the start of 2022, with the market adjusting in line with its expectations.

The Group's data-driven pricing processes and effective claims management impact on both the profit commission derived from the co-insurance / reinsurance agreements that the Group has in place and also the underwriting profit from the share of the risk that the Group retains itself.

The Group's underwriting philosophy, which is broadly consistent across geographies, is focused on a sophisticated data-driven approach to pricing and underwriting. The Group retains a competitive advantage in this area by:

- collating and analysing comprehensive data from customers;
- maintaining tight control over the pricing guidelines in order to target profitable business sectors; and
- responding fast and flexibly to data analysis and market trends.

The Group is committed to establishing premium rates that appropriately price the underwriting risk and exposure. It sets policy rates utilising a number of factors including vehicle type, driver age, driver record, type of coverage, geographical location, miles driven, and risk scores based on data from external data suppliers.

Premium rates are continually monitored, and the Group has rating software which facilitates fast changes to both premium rates and structures of multi-dimensional rating tables.

Data and advanced analytics

The Group's unique approach to risk selection is built upon large amounts of claims experience, underwriting skill, and increasingly, on insights from big data and analytics. The Group is developing new capabilities, especially in data and technology, to enhance its customer experience. For example, it launched a new claims management system which will reduce settlement time for many UK motor customers and has established a Data Academy to accelerate the evolution into it becoming an even more digital-first and data driven organisation.

The Group considers that accurate pricing of insurance products is significantly dependent upon obtaining and analysing accurate, comprehensive and up-to-date data from its customers. The Group maintains an extensive proprietary database containing statistical records with respect to customers. The Group has gained increasing depth of data as its customer base has grown. Using this expanding database, the Group's pricing managers are able to produce a wide range of analytical reports and analyses enabling the Group to identify opportunities in the market through better risk selection and pricing.

Claims Management

The Group's efficient claims management is backed by a culture of continuous improvement, proactive engagement, decades of experience in claims handling, and great customer service.

The Group has integrated a new claims management system in its UK motor insurance function – building a more efficient and convenient system for its customers. As a result of these changes, the Group is already seeing greater digital adoption through increased rate of use. The Group is of the view that Guidewire Claim Centre ("GWCC") is more efficient, it offers better data insight and it will enrich customer experience. GWCC is also expected to improve the Group's communication with both customers and suppliers and give it a greater ability for further integration in the future.

8. RESERVING

The Group's primary business is the issuance of insurance contracts that transfer risk from policyholders to the Group and its co-insurance partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued. It is primarily comprised of Reserve risk; the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, and premium risk; the risk that the claims experience on business written but not earned is higher than allowed for in the premiums charged to policyholders.

The Board is responsible for the management of insurance risk, although it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Group Reserving Committee as well as local Reserving Committees which are comprised of senior managers within the finance, claims, pricing and actuarial functions in the respective businesses. The Reserving Committees primarily recommends the approach for insurance reserving but also reviews the systems and controls in place to support accurate reserving and considers material reserving issues such as large bodily injury claims frequency and severity.

The Board implements certain policies to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

Reserve risk

Reserve risk is mitigated through a series of processes and controls. The key processes are as follows:

- regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements;
- regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant;
- bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques;
- internal actuarial analysis of reserve uncertainty through qualitative analysis, scenario testing and a range of stochastic reserving techniques;
- ad hoc external reviews of reserving related processes and assumptions;
- use of a reserving methodology which informs management's reserving decisions for the purposes of the Group's financial statements. As described in Note 3 (*Critical accounting judgements and estimates*) to the 2022 Audited Consolidated Financial Statements, the methodology determines that reserves should be set above projected best estimate outcomes to allow for unforeseen adverse claims development.

As noted above, the Group shares a significant amount of the insurance business generated with external underwriters. As well as these proportional arrangements, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Claims reserving

The Group's reserving policy (both within the claims function and in the financial statements) is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in the Group making above industry average reserve releases. The Group's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

The margin held above ultimate outcomes in the financial statement reserves remains both significant and in the opinion of the Group prudent. In relative terms, it is lower than that held at the end of 2021, reflecting the crystallisation of some of the uncertainty previously held in the margin, in the best estimate reserves.

As profit commission income is recognised in the income statement in line with loss ratios accounted for on the Group's own claims reserves, the reserving policy also results in profit commission income being deferred and recognised over time due to the application of constraint on variable consideration.

Premium risk

As noted above, the Group defines premium risk as the risk that claims cost on business written but not yet earned is higher than allowed for in the premiums charged to policyholders. This also includes catastrophe risk, the risk of incurring significant losses as a result of the occurrence of manmade catastrophe, or natural weather events.

Key processes and controls operating to mitigate premium risk are as follows:

- Experienced and focused senior management and teams in relevant business areas including pricing and claims management;
- A data-driven and analytical approach to regular monitoring of claims and underwriting performance;
- Observations of weather events trends to understand climate impacts on frequency and severity;
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, in particular pricing.

In addition, as mentioned above, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Other elements of insurance risk include reinsurance risk, the risk of placement of ineffective reinsurance arrangements, or the economic risk of reduced availability of co-insurance and reinsurance arrangements in future periods.

The Group mitigates these risks by ensuring that it has a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re and a number of other large reinsurers (see further "*Underwriting Income and Profit Commission – Co-insurance and reinsurance*").

9. EXCESS OF LOSS REINSURANCE

The Group purchases reinsurance to protect its capital position as well as the results of individual business lines. The primary objectives of the Group's reinsurance programmes are to reduce the volatility of the Group's overall underwriting result and improve the stability of earnings for relevant business lines.

Reducing volatility in the Group's underwriting results and supporting its capital base is sought to be achieved by purchasing reinsurance for catastrophes and other major individual or accumulation losses. The retained portions of insurance risk are managed at levels that the Group expects it can absorb in accordance with loss models and regulatory capital requirements. The Group seeks to purchase reinsurance at cost effective rates from secure reinsurers within credit risk levels acceptable to management.

The Group has arranged layers of non-proportional excess of loss reinsurance protection covering all underwriting years with varying levels of protection and participation.

In the future, the level of excess of loss cover purchased will depend on the attractiveness of market rates and the Group's appetite for individual claims exposure. This in turn will depend upon, *inter alia*, solvency limits, the financial strength of the Group and its evolving large claim experience.

The Group purchases excess of loss reinsurance for its UK motor (car, van and Veygo), household, travel and Pioneer small and medium sized enterprise liability insurance businesses to provide protection against large claims and reviews this cover annually. Excess of loss reinsurance is also purchased for the Group's international car insurance businesses in Italy, Spain, US and France, together with household cover in France. Rates for the 2023 underwriting year increased as a result of higher inflation in the markets in which the Group operates.

10. RISK MANAGEMENT AND GOVERNANCE

Risk Management

Risk management is an essential part of the Group's operations, and successful risk taking is key to the Group achieving its business objectives. Risk management is therefore a key consideration when setting the Group's strategy, managing performance, and rewarding success. For more information on the current risks that are faced by the Group see "*Risk Factors*".

The Board is responsible for setting and achieving the Group's strategic objectives as well as delivering strong financial results, ensuring the Group operates within established risk parameters and meeting legal and regulatory obligations. To this end, it oversees the performance of each subsidiary entity.

The Group Risk Strategy is considered and approved by the Board. The strategy is directly linked to the business plan and seeks to ensure that all risks are managed effectively to allow the Group to meet its strategic aims. Supporting this is the Group Risk Management Policy, which sets out the Group's approach to risk management, as well as the governance of risk management across the Group. This approach ensures that there is appropriate oversight of the Group's risk profile, and that the Group remains within risk appetite in all its operations.

Risk Governance

In accordance with recognised good practice, the Group operates a three line of defence governance framework with the operational business area in the front line, responsible for day-to-day management of risks. The risk management and compliance functions are second line and are responsible for the maintenance of the risk management framework and reporting of risk exposures. Third line assurance is provided by the internal audit function. The internal audit function undertakes regular reviews of internal control systems and business processes, identifying control weaknesses and making recommendations to management on improvements where necessary.

To help the Board exercise its duties, specific aspects of the Group's management have been delegated to four Board Committees:

- the Group Audit Committee: responsible for review of the effectiveness of the Group's internal controls, financial reporting and the assurance processes. It is also responsible for overseeing the Group internal audit function and external auditors.
- the Group Remuneration Committee: responsible for making recommendations to the Group Board in respect of the Group remuneration policy, remuneration of senior managers and share schemes;
- the Group Risk Committee ("GRC"): responsible for oversight of the Group's risk and management control framework including the composition and performance of the risk management function and of adherence to the Board's overall risk appetite. It approves annual plans for the Group's risk and compliance functions.
- the Group Nomination and Governance Committee: leads the process for making appointments to the Group Board and ensures that there are succession plans in place for the Group Board and senior management positions.

The Group also has five group management committees which are responsible for group-level activities. The Group's investment committee undertakes work on behalf of various boards. The Group's disclosure committee reports directly to the Group Board with the Group reserving committee reporting to the Group Audit Committee. The Assets and Liabilities committee and the Model Governance committee both report to the Group Risk Committee.

Risk reporting

The risk management framework is designed to ensure that the Board and the Group's various risk committees can receive timely and appropriate reporting on the Group's exposure to existing and emerging risks.

The GRC Chair reports formally to the Board on the GRC's proceedings after each meeting, on all matters within its duties and responsibilities, as set out in previously circulated minutes to the Board. The GRC Chair also reports on the activities of the GRC in a formal written report that is submitted to and discussed by the Board annually.

The work of the GRC is supported by more detailed work undertaken by subsidiary Boards and / or executive Risk Management Committees in each of the Group's operational entities. At each meeting, the Risk Management Committees consider notable: movements in the operation's risk profile; risk events; and emerging risks. Risk Management Committees also assess and monitor regulatory issues, ensuring that their resolution and the actions taken are appropriately recorded. The Risk Management Committees receive regular information on Conduct Risk, such as complaint handling reports and other related management information. The Group Risk Management function reviews and collates information from across the Group for consideration by the GRC.

In addition, to ensure that the GRC is operating effectively, it conducts a periodic review of its performance (in 2022, this review was performed externally by Bvalco Ltd) and at least annually reviews its constitution and terms of reference. Any changes it considers necessary are recommended to the Board for approval.

11. EMPLOYEES

The Group's management team has extensive experience in the financial services industry.

The philosophy underpinning the Group's culture is that "if people like what they do, they'll do it better".

The Group seeks to improve the working skills and knowledge of its employees and to develop their individual capabilities as far as possible, by identifying and developing employees with the ability and desire to be promoted to more responsible positions.

In 2022, the Group:

- improved its reward package for employees and responded to the cost-of living crisis (including salary increases and winter weather payments to help with energy bills);
- upgraded its learning and development scheme for all colleagues; and
- extended its health initiatives (men and women's health) and upgraded its paternity and maternity policies.

The Group offers, where appropriate, country-based retirement savings based on local employment practices and laws. Where the Group operates a pension scheme in addition to the state provision, contributions are made by both the Group and the employee.

12. INFORMATION TECHNOLOGY INFRASTRUCTURE AND CYBER SECURITY

Information technology ("IT") and technology capabilities are continuously reviewed, and investment is made to ensure that they are fit for the needs of the business to ensure continued sustainability, profitability and growth.

The maturity and complexity of the IT capability required by the business has grown as customer needs and demands have changed. Given that price comparison is a key channel for business operations, the Group is transitioning its customer contact strategy from a web / telephony centric strategy to a more mobile digital multi-channel contact strategy. Appropriate investments continue to be made to aid this transition and support the modernisation of the IT capability to enhance customer and staff experience.

Business continuity and disaster recovery play a key role in assuring sustainability of the business operations, these are tested on a regular basis in each Group entity. Planned and unplanned tests are reported when appropriate to the GRC. The Group continues to enhance and develop its business continuity plan to ensure excellence in execution when needed.

Data security and data protection from both a customer and corporate perspective continues to be a focus for business operations. The Group has a Cyber Security Framework in place and work continues with internal teams and third parties to ensure that appropriate controls are in place to mitigate confidentiality,

integrity and availability concerns that affect the business. In the UK, an Operational Resilience programme was completed at the end of March 2022 in line with regulatory requirements. Work will continue specifically focussed upon the identified Important Business Services.

13. INTELLECTUAL PROPERTY

Trade marks

The Group holds a portfolio of registered UK and European trade marks which protect the names and logos of its brands including trade marks in the UK for Admiral, Bell, Diamond, Elephant, Admiral Law, Veygo and Gladiator. The Group has trade mark registrations in each of the overseas territories in which it operates including for Elephant (in the US), for ConTe (in Italy), for L'Olivier (in France) and for Balumba and Qualitas (in Spain).

The Group actively protects its trademark portfolio and instructs its trademark attorney to operate a watch service to identify applications for similar trademarks. The Group takes action as necessary to oppose the registration and/or use of similar trademarks and to enforce its rights against third party infringers.

Patent Protection

The Group is the owner of a UK registered patent relating to certain telematics technology.

Domain Names

The key websites for the Group's brands and trading operations have current domain name registrations held by or on behalf of the Group. Registrations for a number of domain names which are similar to the Group's key websites are also held by the Group to help protect trading names and brands developed by the Group.

14. INVESTMENTS

Investment Strategy

The investments of the Group are managed within the confines of the Investment Policy as agreed at Board level.

The Group's investment strategy is balanced. It is focussed on matching asset and liability duration, currency and to some extent inflation and delivery of low volatility investment returns. This relates to all aspects of market risk (i.e. credit risk including spread risk, interest rate risk, inflation risk, currency risk, and concentration risk) and counterparty and ESG related risks, as outlined in the Group's Risk Appetite statement.

Minimising Liquidity Risk

Liquidity is managed across the Group to ensure adequate liquidity for the Group's operations. The Group intends to hold adequate liquidity to meet outflows as required with appropriate buffers for unexpected events.

Asset–Liability Matching

The cash and investments are structured so that the investments mature to meet cash requirements for ongoing operations and policyholder liabilities. Assets are primarily invested in securities to match the liability profile of the business including maturity and currency.

The board of each entity manages its cash, investments, and investment risk. The role of the Investment Committee ("IC") is to advise each entity's board and oversee the investment management of the funds in accordance with appropriate regulatory or other guidance, and in line with the requirements of each Board.

The IC is also responsible for advising on effective treasury and foreign currency exposure management of the Group and each entity's non-invested funds (including free cash).

The Policy allows investments in cash, deposits, bonds, loans, other types of fixed income, and infrastructure. This includes public and private assets. Derivatives are permitted for hedging or efficient portfolio management only, and not speculation.

The Group has set risk limits in relation to duration, foreign exchange, credit, counterparty and equity risk.

	31 December 2022
	<i>(£, millions)</i>
Continuing operations	
Financial investments measured at fair value through profit or loss ("FVTPL")	
Money market funds.....	706.5
Other funds.....	188.8
Derivative financial instruments.....	33.0
Equity Investments (designated FVTPL)	6.4
Investment in Associate	2.4
	937.1
Financial investments classified as fair value through other comprehensive income ("FVOCI")	
Corporate debt securities.....	1,701.2
Government debt securities	479.8
Private debt securities.....	166.6
	2,347.6
Equity investments (designated FVOCI).....	25.1
	2,372.7
Financial assets measured at amortised cost	
Deposits with credit institutions	101.4
Total financial investments	3,411.2
Other financial assets	
Insurance receivables	1,009.5
Trade and other receivables (measured at amortised cost).....	326.3
Insurance and other receivables.....	1,335.8
Loans and advances to customers (see Note 7 (<i>Loans and advances to customers</i>) to the 2022 Audited Consolidated Financial Statements).....	823.9
Cash and cash equivalents	297.0
Total financial assets	5,867.9

For further information on the Group's investments and cash see Note 6 (*Investment income and costs*) to the 2022 Audited Consolidated Financial Statements.

At 31 December 2022:

- The portfolio duration was 2.9 years, broadly in line with the liability duration.
- The average credit rating was "A" rated (averaging across three rating agencies) and the proportion rated less than "A" rated was approximately 20 per cent.
- Each insurer and the Issuer had liquidity well in excess of the liquidity buffer required.

Additional Metrics	As at 31 December	
	2022	2021
Average rating (excluding cash).....	A+	A+
Proportion AAA to A (<i>per cent.</i>).....	80	81
Proportion not rated (<i>per cent.</i>)	5	4
Asset Duration (Liability Duration) (<i>years</i>)	2.9 (3.2)	3.9 (3.8)
Cash and money market allocation (<i>£, millions</i>).....	1,070	1,287

Investment Controls

There is a clear segmentation of the treasury functions and the accounting teams. This ensures that there are control processes in place at each point in the investment process. Monitoring of investments is also undertaken by the Group Risk Team on a monthly basis.

15. MANAGEMENT

Directors of the Issuer

The following is a list of the Directors and their principal functions within the Issuer together with a brief description of their principal business activities, if any (other than positions with the Issuer and its Group) as at the date of this Prospectus. The business address of each of the directors is: Tŷ Admiral, David Street, Cardiff, CF10 2EH.

Name	Role	Other significant appointments
Mike Rogers	Chairman and Non-Executive Director	Chair of Experian plc Chair of Aegon UK
Milena Mondini de Focatiis	Chief Executive Officer	Director of various Group subsidiaries Mentor for A-Road, Growth Capital
Geraint Jones	Chief Financial Officer	Director of various Group subsidiaries Co-opted member of the Finance and Audit Committee of the Wales Millennium Centre
Mike Brierley	Non-Executive Director	Chair of Admiral Financial Services Limited (Admiral Money) (a Group subsidiary)
	Audit Committee member	Non-Executive Director of Alpha Bank London Limited
	Remuneration Committee member	Director and Trustee of the Rose Theatre Trust
Karen Green	Non-Executive Director	Non-Executive Director, Senior Independent Director and Chair of the Sustainability Committee and member of the Audit, Nominations and Remuneration Committees of Phoenix Group Holdings Plc
	Chair of the Audit Committee	
	Group Risk Committee member	Non-Executive Director, Chair of the Risk Committee and member of the Remuneration Committee of Asta Managing Agency Ltd
		Council Member, Chair of the Investment Committee and member of the Risk and Remuneration Committees of Lloyd's of London
		Non-Executive Director and Interim Risk and Audit Committee Chair and member of the Remuneration Committee of Miller Insurance Services LLP
		Advisor role at Cytora Limited
		Supervisory Board member and Audit Chair for the TMF Group
		Charity Trusteeship, Wellbeing of Women (expected date of appointment 28 June 2023)

Name	Role	Other significant appointments
Justine Roberts, CBE	Non-Executive Director	CEO & Founder, Mumsnet.com & Gransnet.com
	Senior Independent Director	Non-Executive Director of The Open Data Institute
	Nomination and Governance Committee Member	Non-Executive Director of Boring Money
	Remuneration Committee Member	Non-Executive Director of English Football League
Andrew Crossley	Non-Executive Director	Chair of EUI Limited (a Group subsidiary)
	Audit Committee member	Member of Remuneration Committee, Risk Committee and Chair of Audit Committee for Vitality Health Ltd and Vitality Life Ltd and Senior Independent Director of Vitality Life Ltd
	Group Risk Committee member	Director of Vitality Corporate Services Ltd
	Interim Group Risk Committee Chair	
Jayaprakasa Rangaswami	Non-Executive Director	Non-Executive Director of Allfunds Bank SA
		Non-Executive Director, Allfunds Group Plc
	Group Risk Committee member	Non-Executive Director of Daily Mail and General Trust Plc (MGT) (now delisted), member of Remuneration and Nomination, Audit and Risk Committees
		Non-Executive Director of National Bank of Greece S.A.
		Non-Executive Director of EMIS Group Plc
		Member, Board of Trustees, Cumberland Lodge
Evelyn Bourke		Member, Board of Trustees, Web Science Trust
	Non-Executive Director	Non-Executive Director, Chair of the Audit Committee and member of the Nomination Committee at Marks and Spencer Group Plc
	Remuneration Committee Chair	Non-Executive Director, Chair of the Audit Committee, member of the Risk Committee and Sustainability Committee Bank of Ireland Group Plc
		Non-Executive Director, Senior Independent Director, member of Audit Committee and Risk and Compliance Committee at AJ Bell Plc
		Charity Board Trustee of Ireland Fund for Great Britain
Bill Roberts	Non-Executive Director	Advisor at Hi Marley

Name	Role	Other significant appointments
	Nomination and Governance Committee member	Non-Executive Director at Elephant Insurance Company

Set out below is a brief description of the business experience and qualifications of the individuals who serve as members of the board of directors of the Issuer.

Mike Rogers - Chair

On 27 April 2023, Mike took up the role of Non-Executive Director and Chair of the Board.

Mike Rogers has over 30 years of international financial services experience and was Group Chief Executive Office of insurer LV= from 2006 until 2016 and oversaw its transformation into a significant player in the general insurance and life and pensions markets. Prior to that, Mike worked at Barclays Bank for 20 years and held a number of senior roles including Managing Director of UK Retail Banking and Managing Director of Small Business Banking. Mike was previously a non-executive director of the Association of British Insurers.

Milena Mondini de Focatiis - Chief Executive Officer (CEO)

Milena joined the Group in 2007 and was appointed to the Board in August 2020 and became CEO in January 2021. She has been a member of the leadership team throughout her time at the Group, has extensive experience of the Group's operations and has attended and actively contributed at Board meetings as an observer since 2011. Her previous roles included being Head of UK and European Insurance and CEO of ConTe.it, the Group's Italian insurance business which she founded in 2008.

Before joining the Group, Milena worked as a consultant for Bain & Co and Accenture. She holds an MBA from INSEAD and a degree in Telecommunication Engineering from Università degli Studi di Napoli Federico II.

Geraint Jones - Chief Financial Officer (CFO)

Geraint joined the Group in 2002 and held several senior finance positions including Head of Finance, before being promoted to Deputy CFO in January 2012 and CFO in August 2014. Geraint is responsible for finance, investments and investor relations. A Fellow of the Institute of Chartered Accountants in England and Wales, Geraint spent the early part of his career as an external auditor at Ernst & Young and KPMG.

Mike Brierley - Non-Executive Director

Mike was CFO of Metro Bank Plc between 2009 and 2018, helping lead the business from start-up to listing on the FTSE. He spent seven years at Capital One Europe in various roles including CFO Europe, CFO UK and Chief Risk Officer Europe. He has also served as CFO for Royal Trust Bank, Financial Controller at Industrial Bank of Japan (London Branch), Director Business Risk at Barclaycard and was co-founder and Deputy Managing Director and CFO of Gentra Limited. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales and was appointed to the Board in 2018 and holds various committee roles.

Karen Green - Non-Executive Director

Karen Green is the former CEO of Aspen UK, comprising the principal UK insurance and reinsurance companies of Aspen Insurance Holdings (2010 to 2017). Other senior Aspen positions included Group Head of Strategy, Corporate Development, Office of the Group CEO and she was a member of the Group Executive Committee for 12 years. Prior to that, she held various corporate finance, M&A and private equity roles at GE Capital Europe and Stonepoint Capital having started her career in investment banking at Baring Brothers and Schroders. She was appointed to the Board in 2018 and is Audit Committee Chair and a GRC member.

Justine Roberts, CBE - Non-Executive Director

Justine founded Mumsnet in 2000 and is responsible for creation, strategic direction and overall leadership. In May 2011, Justine founded Gransnet, a sister site to Mumsnet, for the over-50s. Before that Justine was a freelance football and cricket journalist for the Times and Daily Telegraph, after working for Warburgs and Deutsche Bank as an economist, strategist and head of South African Equities in New York. She is also Senior Independent Director and a member of the Nomination and Governance Committee and Group Remuneration Committee.

Andrew Crossley - Non-Executive Director

Andrew was CFO at Domestic & General Group from 2014 to 2017. He spent 14 years at Prudential Plc from 2000 as Director, Group Finance; Group Chief Risk Officer; and CFO and Deputy Chief Executive of Prudential UK. He previously held senior manager roles at Legal & General Group Plc, where he was Group Financial Controller, and Lloyds Bank Plc. Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales and is now plays an active role in the Audit Committee and GRC (of which he is Interim Chair).

Jayaprakasa Rangaswami - Non-Executive Director

Jayaprakasa Rangaswami (JP) has a wealth of large-scale IT operational experience gained through his roles as Chief Information Officer (CIO) with Dresdner Kleinwort (2001 to 2006) and Managing Director/Chief Scientist at BT Group (2006 to 2010). JP has also been Chief Scientist with Salesforce (a US cloud-based software company) (2010 to 2014) and was Chief Data Officer (CDO) and Group Head of Innovation with Deutsche Bank (2015 to 2018). He has operated in financial services for over 10 years and understands the challenges of working in a regulated environment. JP is also a former global CIO of the Year as well as European Innovator of the Year. He is also a member of the GRC.

Evelyn Bourke - Non-Executive Director

Evelyn was Bupa Group's CFO between 2012 and 2016, before becoming Bupa's Group Chief Executive Officer from 2016 to 2020. Evelyn has held several senior leadership roles during her career including Chief Commercial Officer at Friends Life UK (2011 - 2012), CFO at Friends Provident (2009 – 2010), CFO at Standard Life Assurance (2006 -2008), and CEO at Chase de Vere (2004). She is also Chair of the Remuneration Committee.

Bill Roberts - Non-Executive Director

Bill has a wealth of insurance, underwriting and marketing experience gained during his time at US insurer, GEICO, which he joined in 1984. Whilst at GEICO, Bill held several Executive appointments, including COO and President and CEO for all GEICO Insurance Companies, a position he held from 2018 until he was promoted to Vice Chair, GEICO Insurance Companies in 2020. Bill held this role until he retired from GEICO in December 2020. He was appointed to the Board in June 2021 and is also a member of the Nomination and Governance Committee.

Conflicts of Interest

There are no conflicts of interest between the duties of the directors listed above to the Issuer and their private interests or other duties.

REGULATORY OVERVIEW

Introduction

The Group operates in the UK, Italy, Spain, France, Gibraltar and the US, with offices in Canada and India. The Group's business includes UK motor insurance, UK household insurance, other UK insurance, international insurance and other non-insurance business (including consumer credit).

As a result of the Group's insurance underwriting, insurance intermediary, consumer credit and legal services businesses, various Group entities are subject to regulation by various regulators, including the PRA, the FCA and the Solicitors' Regulation Authority ("**SRA**") in the UK, the GFSC in Gibraltar, the DGSFP in Spain, both the *Autorité de contrôle prudentiel et de résolution* and ORIAS (the French register of insurance intermediaries) in France, the Bank of Italy and IVASS in Italy and the Virginia State Corporation Commission's Bureau of Insurance in the US.

UK Regulation

The Group's insurance and insurance mediation businesses in the UK are primarily subject to the laws of the constituent parts of the UK and regulation imposed by or under FSMA.

Regulatory powers

The UK insurance regulatory system has two regulators, the PRA and FCA, designed to offer a strengthened system of financial supervision. In the UK, the Group's business is subject to regulation by both the PRA and FCA, both of which have broad powers under FSMA, including, among others, the authority to grant and, in specific circumstances, vary or cancel permissions; investigate marketing, sales, claims and complaint handling practices; and require the maintenance of adequate financial resources. One of the principal regulatory objectives in the context of the regulation of insurance companies is the protection of policyholders, as opposed to protection of shareholders or general creditors.

Subject to certain exemptions provided in FSMA, under section 19 of FSMA no person may carry on a regulated activity in the UK unless appropriately authorised to do so by the FCA and the PRA (as applicable) under Part 4A of FSMA (a "**Part 4A Permission**"). Regulated activities include the activity of effecting or carrying out contracts of insurance for which the PRA is the appropriate regulator, and insurance mediation activities, including dealing as agent, arranging, advising on deals, or assisting in administration and performance in relation to a contract of insurance, for which the FCA is the appropriate regulator. Exemptions under FSMA include, in respect of insurance mediation activities, an exemption for appointed representatives who have been validly appointed.

In order to grant a Part 4A Permission, the appropriate regulator must determine that the applicant meets the requirements of FSMA, including certain "threshold conditions" set out in Schedule 6 to FSMA. The threshold conditions are the minimum conditions which must be satisfied (both at the time of authorisation, and on an ongoing basis) in order for a firm to gain and continue to have permission to carry on the relevant regulated activities under FSMA. Dual-regulated firms must meet both the PRA and the FCA threshold conditions. These relate to matters including the applicant's legal form, whether the applicant has adequate resources (both financial and non- financial) to carry on its business and whether, having regard to all the circumstances and the objectives of the PRA and the FCA (including whether the applicant's affairs are conducted soundly and prudently), the applicant is a fit and proper person to conduct the relevant regulated activities. In both cases this includes whether those who manage the applicant's affairs have adequate skills and experience and that such affairs are conducted soundly and with integrity. The Part 4A Permission contains a description of the activities that an authorised firm is permitted to carry on. When granting a Part 4A Permission, the appropriate regulator may impose such limitations and requirements as it considers appropriate. Once authorised, in addition to continuing to meet the threshold conditions, firms must comply with the high level FCA Principles for Businesses and, where applicable, the PRA's Fundamental Rules, as well as other rules in the PRA Handbook and the FCA Handbook, as further explained below. In specific circumstances, the PRA and/or FCA may vary or cancel an insurer's Part 4A Permission to carry on a particular class or classes of business of insurance business generally. The circumstances in which the PRA and/or FCA can vary or cancel a Part 4A Permission include a failure to meet the Threshold Conditions or where such action is desirable in order to protect the interests of consumers or potential consumers.

The focus of the FCA, in its capacity as business conduct regulator for the UK financial services industry, is to protect consumers, protect the integrity of the UK financial system and promote effective competition in the interests of consumers. In order to regulate the financial services market, the FCA has rule-making, investigative and enforcement powers.

The Bank of England prudentially regulates and supervises financial services firms through the PRA. The focus of the PRA, in its capacity as the micro-prudential regulator, is to promote the safety and soundness of the firms it regulates, which includes insurers and, specific to insurers, to contribute to the securing of an appropriate degree of protection for policyholders and a secondary objective to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities. In promoting the safety and soundness of such firms, the PRA is primarily concerned with the harm that firms can cause to the stability of the UK financial system.

Approval of controllers

Under section 178 of FSMA, if a person intends to directly or indirectly acquire or increase its "control" of an authorised firm, it must first obtain approval from the appropriate regulator (the PRA for dual-authorised firms such as insurance companies and the FCA for firms such as insurance intermediaries and those holding consumer credit licences, only authorised by the FCA). It is a criminal offence under section 191F of FSMA to acquire or increase control of an insurance company or an insurance intermediary without obtaining approval from the appropriate regulator first.

The appropriate regulator has up to 60 working days (without taking into account any interruption period) in which to assess a change of control case. Acquiring control of an insurer for the purposes of FSMA includes where a person holds 10 per cent. or more of the shares or voting power in an authorised firm or its parent undertaking. A person will be treated as increasing its control over an authorised firm, and will therefore require further approval from the appropriate regulator, if the level of its shareholding or entitlement to voting power increases from a holding below certain thresholds to a holding above those thresholds. The relevant thresholds for insurance companies are 10 per cent. or more but less than 20 per cent., 20 per cent. or more but less than 30 per cent., 30 per cent. or more but less than 50 per cent. and 50 per cent. or more of the shares or voting power in an authorised firm or its parent undertaking. The relevant threshold for insurance intermediaries is 20% or more of the shares or voting power in an authorised firm or its parent undertaking. SUP 11 in the PRA Handbook and FCA Handbook give details of the thresholds and requirements.

When determining a person's level of control, that person's holding of shares or entitlement to voting power will be aggregated with the holdings or entitlements of any person with whom it is "acting in concert".

Senior Managers and Certification Regime ("SM&CR")

The SM&CR applies to dual-regulated firms like insurers and solo-regulated firms like insurance intermediaries although the scope of the regime depends on the type of firm, its size and its activities. The SM&CR replaced the Approved Persons regime for the majority of solo-regulated firms in 2019. The SM&CR is made-up of three key parts: (i) the Certification Regime (ii) the Conduct Rules; and (iii) the Senior Managers Regime. It is intended to ensure greater personal accountability at all levels of a firm; minimum standards of conduct; and that staff employed in positions where they could pose a significant risk of harm to their firm or its customers are fit and proper to perform their roles. The most senior people in a firm ("**Senior Managers**") who perform key roles ("**Senior Management Functions**") will need approval from either the PRA or FCA, depending on their role, before starting their role. Senior Management Functions are specified by the PRA or the FCA; Senior Management Functions specified by the PRA (including chief executive officers and persons responsible for a firm's risk, audit or actuarial functions) require PRA approval, and Senior Management Functions specified by the FCA (including the chair of the nomination committee and the compliance oversight function) require FCA approval.

The SM&CR also contains a certification regime for staff employed in roles that do not entail the performance of Senior Management Functions but could nonetheless pose a significant risk of harm to their firm or its customers ("**certification roles**"). This includes all key function holders. A firm is responsible for ensuring that no employee performs a certification role without having been certified as fit and proper by the firm (on recruitment and then on an annual basis). Since 10 December 2019, all employees performing certification roles in relation to insurers have required certification.

The SM&CR also contains a conduct regime for Senior Managers and other employees. There are two tiers of conduct rules, contained in both the PRA Rulebook and the FCA Handbook. Some of these rules apply only to Senior Managers; some apply to Senior Managers and non-executive directors; and others apply to the majority of employees within the firm.

In addition, under section 59 of FSMA, UK authorised firms with appointed representatives are required to take reasonable care to ensure that individuals performing certain "controlled functions" within an appointed representative have the prior approval of the FCA. Individuals who perform controlled functions in the appointed representative fall broadly into two categories: those who exercise significant influence over the appointed representative's affairs and those who deal with its customers. The FCA will only approve an individual to carry out a controlled function if it is satisfied that they are a "fit and proper" person to carry out the relevant function. Individuals approved by the FCA to carry out controlled functions are subject to other rules imposed by the FCA. Where an individual breaches these rules, the FCA may impose sanctions on the individual concerned.

Senior Managers are also subject to a statutory duty of responsibility, which enables the PRA and the FCA to hold them accountable if a breach of a regulatory requirement takes place in their area of responsibility and the senior manager fails to take reasonable steps to prevent or stop the breach. The FCA's Senior Management Arrangements, Systems and Controls Sourcebook in the FCA Handbook also contains rules on the apportionment of significant responsibilities among an insurer's directors and other senior managers and, more generally, the systems and controls that insurers are required to have in place. In particular, firms must take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and for countering the risk that they might be used to further financial crime.

Prudential requirements

The PRA's rules that govern the prudential regulation of insurers are found primarily in the PRA Rulebook for Solvency II firms. It is supplemented by PRA Supervisory Statements containing PRA expectations and Statements of Policy detailing policy on a particular matter.

It is a fundamental requirement of the PRA's prudential rules that PRA-authorised firms maintain adequate financial resources. This requirement and the obligation for an insurance company (but not an insurance intermediary) to carry out a risk-based assessment of its own capital requirements are contained in the PRA Rulebook for Solvency II insurers.

Insurance intermediaries are prudentially regulated by the FCA with the requirements largely set out in the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries (MIPRU). Firms carrying on insurance distribution activities must meet, on a continuing basis, a basic solvency requirement and a minimum capital resources requirement. A firm must at all times ensure that it is able to meet its liabilities as they fall due and at all times maintain capital resources equal to or in excess of its relevant capital resources requirement. The capital resources requirement for a firm depends on whether it holds client money or other client assets in relation to the distribution activities. Firms conducting insurance distribution activities must also maintain professional indemnity insurance.

Conduct of business requirements

The most relevant conduct of business FCA sourcebooks (and parts thereof) for the Group's subsidiaries undertaking FSMA regulated insurance business and insurance mediation business are currently the Senior Management Arrangements, Systems and Controls Sourcebook (SYSC), the Insurance: (Conduct of Business) Sourcebook (ICOBS), and the Claims Management: (Conduct of Business) Sourcebook (CMCOB) which contain certain conduct of business requirements; which is relevant for insurance intermediaries. The Consumer Credit sourcebook (CONC), which also contains conduct of business requirements, is relevant to the Group's UK consumer credit-related regulated activities. Rules and ongoing requirements applicable to FCA-authorised firms are contained in the FCA Handbook.

Among other things, conduct of business rules address fair treatment of customers, financial promotions and adverts, treating vulnerable customers fairly, product requirements, information requirements, operational resilience, financial crime, client money and assets, change in control, regulatory reporting, variation of permission and senior manager and certification regime, approved persons and appointed representative arrangements.

Intermediary activities

The Insurance Distribution Directive (EU) 2016/97 ("**IDD**") (which was incorporated into UK domestic law as retained EU law) regulates insurance distribution and sets standards for product oversight and organisational conduct for insurance and reinsurance entities. In the UK, the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 (the "**IDD Order**") has transposed the IDD into UK law, and amended the relevant provisions of FSMA and RAO. The IDD Order came into force on 1 October 2018. The majority of the IDD provisions were transposed by the FCA by way of amendments to the FCA's Handbook of Rules and Guidance and ICOBS.

The IDD replaced the Insurance Mediation Directive (2002/92/EC). The IDD only sets minimum standards and this means that firms must also comply with relevant local law and regulations to the extent that they set standards higher than the IDD (in the UK, this includes the standards and rules set out in the FCA Handbook). The IDD aims to enhance protection for customers buying general and/or long term insurance products. It also aims to ensure that customers are protected irrespective of the distribution channel used to access an insurance product and to promote competition on equal terms between distributors of insurance products.

The IDD contains requirements for the authorisation of (re)insurance intermediaries. A range of additional requirements applying to those firms are also extended to (re)insurers which are involved in the distribution of insurance products. In particular, the IDD imposes specific rules on distributors to act in the best interests of their customers and to ensure that information provided to customers is clear, fair and not misleading. It also includes rules on product oversight and governance, transparency and conflicts of interests.

Consumer Duty

A new duty introduced by the FCA in its Policy Statement PS22/9 on 27 July 2022, known as the 'Consumer Duty', will fundamentally improve how firms conducting regulated activities in the UK within the FCA's remit serve customers by setting higher, clearer standards of consumer protection across financial services and requires firms to put their customers' needs first. It applies to insurers and insurance intermediaries dealing with retail customers. Where the distribution chain involves firms in Gibraltar selling products or services to UK retail customers, the Consumer Duty still applies. It also applies to authorised consumer credit firms.

The new regime comprises a significant regulatory initiative for the FCA, with far reaching implications for relevant firms. The FCA has made achieving improved outcomes for consumers a key regulatory priority in the coming years. The regime comprises a new Principle for Businesses that will expressly require firms to "deliver good outcomes for retail customers" and which imposes a higher and more exacting standard of conduct than the existing Principles for Businesses (most notably, the existing treating customers fairly obligation in Principle 6). It also includes three cross-cutting rules to support the consumer principle by setting out expectations on culture and behaviour: to act in good faith, to avoid causing foreseeable harm to retail customers, and to support retail customers to pursue their financial objectives. Further rules are made in relation to four outcomes that focus on products and services, price and value, consumer understanding and consumer support. The regime will come into effect in phases, starting from 31 July 2023.

The FCA has also set interim deadlines that firms should meet during the implementation period. Firms' boards were required to agree implementation plans by end October 2022. Product manufacturers were required to complete all reviews necessary for their existing products and services by the end of April 2023 so that they can share with distributors the information necessary for them to meet their new obligations under the Consumer Duty.

The FCA is expected to embed the new Consumer Duty in its approach to authorisation, supervision and enforcement. It has also stated that the Consumer Duty will drive its supervision strategies and prioritisation.

The Consumer Duty complements the FCA's emphasis on 'treating customers fairly' principle ("**TCF**"). There is significant overlap between TCF outcomes and the Consumer Duty and firms should focus on complying with the Consumer Duty where the Consumer Duty applies, rather than TCF outcomes. TCF outcomes remain relevant for activities outside of the scope of the Consumer Duty. The FCA has wide ranging powers to take enforcement action against both firms and individuals (for example, against senior management if it considers that they have failed in their responsibilities) for breach of the treat customers

fairly principle, including where it finds that a firm's systems or actions cause actual or potential consumer detriment.

Enforcement and Supervision

The PRA and the FCA have powers to take a range of enforcement action, including the ability to sanction companies and individuals carrying out controlled functions within them.

The FCA and PRA have various disciplinary and enforcement powers, including the power to: withdraw a firm's authorisation; cancel, vary or withdraw a firm's permissions; suspend firms or individuals from undertaking regulated activities; impose restitution orders where persons have suffered loss; and fine, censure, or impose other sanctions on firms or individuals who breach relevant rules. The FCA can also formally investigate a firm, require firms to produce information or documents, or require a firm to provide a "skilled persons" report under sections 166 and 166A of FSMA. In addition to its disciplinary and enforcement powers, the FCA can prosecute certain criminal offences under FSMA and other legislation. The FCA also has various powers in relation to market abuse, including the power to sanction persons who commit market abuse.

The FCA has powers in relation to the administration and winding-up of authorised firms under FSMA. Breaches by authorised firms of certain rules in the FCA Handbook can also give certain private persons who suffer loss as a result of the breach a right of action against the breaching firm for damages. The FCA has concurrent powers to enforce competition law prohibitions in relation to the provision of financial services. The FCA is also granted the powers to refer market investigation references to the CMA for in depth investigation if it identifies a feature or features of a market which give rise to potentially anti-competitive effects. The decision to bring a case ultimately rests with the CMA and will be resolved at that level. In addition to the above, the FCA has the power to impose sanctions on an authorised person that is found to have committed market abuse and it has the power to institute criminal proceedings for offences under: (i) FSMA or any statutory instruments made under it (except certain provisions for which the PRA is the relevant regulator); (ii) the insider dealing provisions of the Criminal Justice Act 1993 (as amended); and (iii) certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

The PRA and the FCA have further powers to obtain injunctions against UK authorised firms where a UK authorised firm has breached relevant requirements, including requirements imposed by or under FSMA, and to impose or seek restitution orders where clients or other affected parties have suffered loss, or the firm has obtained a profit as a result of a breach of a relevant requirement. In certain circumstances, the PRA and the FCA also have the power to take action against unauthorised parent undertakings of UK authorised persons (such as the Issuer), including by issuing directions to do or refrain from doing a particular activity.

The Financial Services Act 2012 also conferred powers on the PRA and FCA. For example, the FCA or the PRA, as applicable, have the following powers that can, in certain circumstances, be applied directly to qualifying parent undertakings where those parent undertakings are not themselves regulated:

- (i) power of direction;
- (ii) a rule-making power for information gathering; and
- (iii) a supporting disciplinary power to fine or censure a qualifying parent undertaking for breaches of a direction or an information rule.

Complaints and compensation

Insurance companies and insurance intermediaries, along with all other firms regulated by the PRA and the FCA, and certain other unregulated businesses, are under the compulsory jurisdiction of the FOS which has been set up under FSMA. Authorised firms must have appropriate complaints handling procedures but, where these are exhausted, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought against applicable firms by individuals and small business customers. The FOS provides an additional route to customers bringing complaints in the courts and is empowered, upon determining a dispute in favour of a customer, to order a firm to pay fair compensation for any loss or damage it caused to the customer, or to direct a firm to take such steps in relation to the customer as the FOS considers just and appropriate, irrespective of whether a similar award could be made by a court. The FOS is funded by levies and case fees payable by firms covered by the FOS. However, the FCA may

intervene directly where larger groups or matters of public policy are involved. There have been several industry-wide issues where the FCA has intervened directly, such as the widespread mis-selling of payment protection insurance. The FCA has also carried out industry wide thematic reviews of specific products or processes with which it has concerns.

The Financial Services Compensation Scheme ("FSCS") provides compensation to certain categories of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. Most claims made in respect of insurance business will also be protected if the business was carried out from the UK or, in another EEA state, from a branch of an insurer authorised by the PRA. The FSCS is funded by means of levies on all its participating financial services firms, including insurance companies and insurance intermediaries.

Road Traffic Act

The Motor Insurers' Bureau ("MIB") was set up in 1946 to provide a way of compensating the victims of uninsured or untraced motorists. Every insurance company underwriting compulsory motor insurance is obliged, by virtue of the Road Traffic Act 1988, to be a member of MIB and to contribute to its funding. The amount that each member contributes is calculated by means of a formula and is relative to the level of gross premium income generated by the member. AICL and AIGL are both members of the MIB and pay the related levy annually in arrears.

Data Protection

The data protection regime in the United Kingdom consists of the UK GDPR and the Data Protection Act 2018 ("DPA"), each of which came into force in the UK on 25 May 2018. This regime regulates the manner in which natural persons' personal data is obtained, maintained and used by organisations, including the Issuer. Personal data includes any information relating to natural persons who (i) can be identified, or who are identifiable, directly from the information in question or (ii) who can be indirectly identified from that information in combination with other information.

The Issuer is required to comply with the UK GDPR and DPA and any breach could give rise to criminal or civil liability and other enforcement action by the Information Commissioner's Office, the body responsible for enforcement of each of the UK GDPR and DPA.

Group companies are also subject to data protection rules in the countries in which they operate and breach of such rules could give rise to criminal or civil liability and other enforcement action by relevant regulatory authorities.

Legal Services

Admiral Law has been granted an ABS licence by the SRA pursuant to their powers under Part 5 of the Legal Services Act 2007. Admiral Law is regulated by the SRA and, as such, is subject to the SRA Principles, the Code of Conduct and other SRA Handbook provisions.

Sustainability

Sustainability, and in particular climate change, is a growing source of regulatory intervention and pressure. The PRA has set out expectations that insurers should be identifying and managing the financial risks from climate change and responsibility for doing so should be allocated at board level. Similarly, management of sustainability risks is increasingly expected to be addressed in annual reports and other disclosures. Sustainability risk management is also increasingly important when seeking to raise finance, as lenders and investors are scrutinising firms' risk management in relation to environmental, social and governance issues.

Post-Brexit regulations

Various changes to the UK regulatory regime, including the FSM Bill are being considered by the UK government, the PRA and the FCA post-Brexit, given the ability that now exists to diverge from EU regulatory requirements. On 1 January 2020 the UK formally withdrew and ceased being a member of the EU. Following this, the UK entered into a transition period which lasted for the remainder of 2020, during which period the UK was subject to applicable EU laws and regulations. The transition period expired on 31 December 2020, and EU law no longer applies in the UK, however the majority of EU law was retained in domestic UK law by virtue of the European Union (Withdrawal) Act 2018, as amended.

Under the Retained EU Law Bill, any retained EU law that remains in force after 31 December 2023 (including any retained EU law covered by the FSM Bill) will be assimilated in the domestic statute book, by the removal of the special EU law features previously attached to it. Further, some retained EU law (excluding financial services regulations in the FSM Bill) contained in domestic secondary legislation and retained direct EU legislation will expire on 31 December 2023 (subject to the government extending this sunset date for specified legislation as permitted by the FSM Bill). The Retained EU Law Bill gives the Government broad powers to restate, revoke and replace any such domestic secondary legislation and retained direct EU legislation. Some retained EU law contained in domestic secondary legislation and retained direct EU legislation will expire on 31 December 2023 and the Bill allows the government to extend the sunset date for specified legislation up to 23 June 2026. The Group will therefore continue to be subject to retained EU law.

EU Legislation

Solvency II

Solvency II, as amended, sets out a prudential framework for the regulation and supervision of insurance companies. Solvency II was implemented on 1 January 2016 as the capital adequacy regime for the European insurance industry. It establishes a set of EU-wide capital requirements and risk management standards with the aim of strengthen the prudential regime for insurance and reinsurance undertakings and increasing protection for policyholders. Solvency II, being a Directive, was transposed into UK law mainly through rules adopted by the PRA, with some rules adopted by the FCA, each underpinned by the UK Solvency II Regulations 2015 (SI 2015/575) which made amendments to various UK legislative provisions, including the FSMA. The UK withdrew from the EU on 31 December 2020 but retains a regime which is still based on the retained version of Solvency II, which has been adapted to apply to the UK only rather than within the EEA as a whole. The UK government published a policy document setting out how the UK is capitalising on the benefits of withdrawal from the EU and how the government will use its new freedoms to transform the UK's economy, which was followed by a consultation launched by HM Treasury in April 2022, to review Solvency II. On 17 November 2022, HM Treasury published the outcome of that consultation, setting out the government's final reform package for a Solvency UK following the UK's withdrawal from the EU. There is no exact timeline for implementation of the final reforms but work to repeal and replace retained EU Solvency II law has been divided into two initial tranches. HM Treasury expects to make significant progress on Tranche 1 and 2 by the end of 2023. On 29 June 2023, the PRA published its Consultation Paper CP12/23 (*Review of Solvency II: Adapting to the UK insurance market*) in relation to the first tranche setting out the majority of the PRA's reform proposals, with the second tranche planned for September 2023 and anticipated to cover reform proposals for life insurers. The amended regime will affect the regulatory requirements applicable to the Group. The PRA has published and continues to publish consultations and supervisory statements that set out its expectations relating to elements of the Solvency II regime in the UK. As a result of these consultations, a number of supervisory statements have been issued or updated and the PRA has indicated that further consultations are likely.

Solvency II provides for the supervision of insurance groups and imposes a group-level capital requirement in relation to certain insurance groups. Where entities in any insurance group are located in different Member States, the national supervisors of those entities will participate in a college of supervisors in order to supervise the group, with the PRA and FCA acting as lead regulators for the Group. Solvency II is intended to protect policyholders' interests more effectively by making failure of insurance and reinsurance entities less likely, and by reducing the probability of consumer loss or market disruption. Solvency II is also intended to align the assessment of risks and capital requirements more closely with capital requirements, and permits insurance entities to make use of their own internal capital models if approved by the PRA.

Solvency II adopts a three-pillar approach to prudential regulation:

- (i) Pillar 1 relates to minimum capital requirements, covering technical provisions, the SCR and the MCR, rules on market consistent valuation, investment of assets and the use of internal models to calculate the SCR;
- (ii) Pillar 2 covers risk management, governance requirements, supervisory review and the Own Risk and Solvency Assessment ("**ORSA**") of an insurer; and
- (iii) Pillar 3 covers public and supervisory reporting and disclosure.

Solvency II classifies different forms of capital into three 'tiers' which distinguish between forms of capital based on its ability to absorb losses. Tier 1 capital, such as common equity and retained earnings, is the highest quality of capital and must be able to absorb losses on a day-to-day, 'going-concern' basis. Tier 2 capital, such as subordinated debt, is of a lower quality and only needs to absorb losses on insolvency. Tier 3 capital is the lowest quality of capital permitted and has only limited loss-absorbing capacity.

Under Solvency II, firms must hold eligible own funds covering both the solvency capital requirement and minimum capital requirement, which together act as trigger points in the 'supervisory ladder of intervention' introduced by Solvency II. The minimum capital requirement is the quantity of capital below which policyholders would be exposed to an unacceptable level of risk which would result in withdrawal of the insurer's authorisation by the regulator. The 'Own Funds' Part of the PRA Rulebook, supplemented by Solvency II, sets out the capital resources that are deemed to be eligible for these purposes, while provisions relating to the solvency capital requirement and minimum capital requirement are set out in the 'Solvency Capital Requirement' and 'Minimum Capital Requirement' Parts of the PRA Rulebook. The 'Technical Provisions' Part of the PRA Rulebook requires firms to establish adequate technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders. The 'Investments' part sets out the risk-management requirements that insurers must follow when investing their assets, including those held to cover technical provisions, while the 'Valuation' part sets out overriding standards that firms must comply with when valuing assets and liabilities.

Anti-money laundering, anti-terrorism and sanctions laws and regulations

In addition to the aforementioned financial and insurance regulation, the Group must comply with anti-money laundering, anti-terrorism and sanctions laws and regulations. A specific responsibility of the Group's Risk Committee is to ensure the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime, including prevention of bribery and adequacy of anti-money laundering and data protection systems and controls.

Sanctions rules require the Group to ensure that it neither breaches legal and/or regulatory requirements nor suffers reputational damage by providing services to, or dealing directly or indirectly with persons, entities or countries which have been identified by the United Kingdom, United States, United Nations, European Union or other governmental, national and international bodies as subject to any form of restriction including financial sanctions or asset freezing orders. The FCA generally requires firms to establish and maintain effective systems and controls to minimise the risk of being used in connection with financial crime. There is no one piece of legislation that sets out the UK financial sanctions regime. Instead, the regime reflects the requirements of various UN resolutions that are applicable to the UK, and is implemented by way of various EU regulations and UK statutory instruments.

Regulatory investigations and/or enforcement actions against the Group in relation to anti-money laundering, anti-terrorism and sanctions laws or regulations could result in fines, immediate reputational and regulatory risks, and materially adverse effects to its business and financial position.

International Regulatory Initiatives

Certain regulatory initiatives are also taking place at a global level. The International Association of Insurance Supervisors (the "IAIS"), a voluntary membership organisation of insurance supervisors and regulators from more than 200 countries, first established its Insurance Core Principles ("ICPs") in October 2011 (last updated November 2019). The ICPs act as a benchmark for insurance supervisors and encourage adaptation of national regulatory frameworks to comply with global standards. The ComFrame framework for the supervision of internationally active insurance groups is not currently applicable to the Group as it is not currently identified an internationally active insurance group. Although the IAIS has no legal power, it seeks to influence regulators such as the FCA and PRA through its international standards. The work of the IAIS may therefore influence FCA and PRA policy.

The United Nations' climate action agenda includes specific focus on the insurance industry and its role as risk carriers, risk managers and investors, encouraging insurers to align their portfolios with net zero commitments and climate solutions and commitments relating to underwriting portfolios. Together with other climate-change related initiatives at the European and international level, the Group expects a continued focus on developing risk management, prevention, accountability and transparency in the insurance sector in relation to climate change.

Regulation in Gibraltar

In Gibraltar, the regulatory and supervisory function for financial services business is vested with the GFSC. The GFSC is a statutory body corporate established by virtue of the Financial Services Commission Act 2007 (the "**FSC Act**").

Under the FSC Act, the function of the GFSC is to consider and determine applications, supervise and monitor compliance and financial services business in accordance with any Act of the Gibraltar Parliament which the Minister with responsibility for financial services may by order in the Gibraltar Gazette specify "Supervisory Acts".

The GFSC's regulatory objectives are: (a) the promotion of market confidence; (b) the reduction of systematic risk; (c) the promotion of public awareness; (d) the protection of the good reputation of Gibraltar; (e) the protection of consumers; and (f) the reduction of financial crime. Thus, in order to regulate the financial services market in Gibraltar, the GFSC has investigative powers, enforcement powers, rule-making powers (with the consent of the Minister with responsibility for financial services) and the power to issue guidance notes (also with the consent of the Minister with responsibility for financial services).

In Gibraltar, AIGL is authorised by the GFSC and its permitted activities can be found on the GFSC's website. The functions of the GFSC are outlined in Section 22 of the Financial Services Act 2019, which include (a) supervising regulated persons in accordance with the Act, (b) to consider and determine applications for authorisation, permission, licensing, approval, registration or recognition made under this Act; (c) to monitor compliance by regulated persons with this Act and any regulations, rules, codes and guidance made under it and, when appropriate, take enforcement action in respect of any non-compliance; (d) to monitor compliance by regulated persons with legislation, rules, codes and guidance relating to the prevention of financial crime and, when appropriate, take enforcement action in respect of any non-compliance amongst others.

Permission in Gibraltar to carry on insurance business

Section 13 of the Financial Services (Insurance Companies) Regulations 2020, states that a person must not carry on insurance business in or from within Gibraltar unless permitted to do so by the GFSC under Part 7 of the Financial Services Act 2019. In deciding whether to grant permission, the GFSC is required to determine whether the applicant satisfies, and will continue to satisfy, the margins of solvency prescribed by the Financial Services (Insurance Companies) Regulations 2020. The Regulations require a firm to hold eligible own funds to cover its Solvency Capital Requirement (SCR) and eligible basic own funds Minimum Capital Requirement (MCR).

When considering an application, the GFSC will determine whether the applicant has, and will continue to have appropriate resources and that it is and will continue to be a fit and proper person having regard to the regulatory objectives of the GFSC.

Approval of controllers and controlled functions

Under section 114 and 115 of the Financial Services Act 2019, if a person intends to acquire or increase its "control" of an insurance company, it must first obtain the consent of the GFSC. It is a criminal offence under the Financial Services Act to acquire or increase control of an insurance company or to appoint an individual to undertake a "controller" function without first obtaining the consent of the FSC. Generally the FSC will have up to 6 months to determine a change of "control" after receiving a fully completed application.

Passporting – Gibraltar

Firms authorised by the GFSC have the right to passport their insurance services to the United Kingdom under a transitional arrangement. Regulation 4 of the Gibraltar Financial Services (Passport Rights and Transitional Provisions) (EU Exit) Regulations 2020 preserved passporting rights between Gibraltar and the UK as a matter of Gibraltar law. This provision is not time-limited and is expected to continue in place until the Gibraltar Authorisation regime is in place.

Anti-money laundering, anti-terrorism laws and sanction laws and regulations

In addition to the aforementioned financial and insurance regulation in Gibraltar, AIGL must comply with Gibraltar anti-money laundering, anti-terrorism and sanction laws and regulations which are set out in the Proceeds of Crime Act 2015. As is the case in the UK, regulated firms are required to implement systems of controls to combat money laundering and terrorist financing.

Proposed resolution regimes

For details in relation to certain proposed resolution regimes for insurers and insurance holding companies, see the risk factor entitled "*The Group may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Notes*".

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer to fund the general business and commercial activities of the Group, including the refinancing of its Existing Notes.

On 27 June 2023, the Issuer announced an invitation to holders of its Existing Notes to tender any and all of their Existing Notes for purchase by the Issuer for cash. The offering of the Notes is not conditional on any minimum amount of the Existing Notes being repurchased pursuant to such tender offer.

The net proceeds of the issuance of the Notes are estimated to amount to £249,125,000.

TAXATION

United Kingdom Taxation

The following summary is of a general nature and is not intended to be exhaustive. It is a summary of the Issuer's understanding of current United Kingdom law, as applied in England and Wales, and published HM Revenue and Customs' practice (which may be subject to change, sometimes with retrospective effect, and may not be binding on HM Revenue and Customs), in each case as at the latest practicable date before the date of this Prospectus. It assumes that there will be no substitution of the Issuer and does not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). It does not necessarily apply where the income is deemed for tax purposes to be the income of any other person, and it relates only to the position of persons who hold their Notes as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. Further, this summary relates only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax *provided that* the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("ITA 2007") for the purposes of section 987 of ITA 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue and Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Where interest has been paid under deduction of United Kingdom income tax, 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 any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the

Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if Further Notes (as defined in the Conditions) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

HSBC Bank plc, Lloyds Bank Corporate Markets plc and UBS AG London Branch (the "**Joint Bookrunners**") have, pursuant to a subscription agreement dated 4 July 2023 between the Issuer and the Joint Bookrunners (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at an issue price equal to 100.00 per cent. of their principal amount, less an amount which the Issuer has agreed to pay to the Joint Bookrunners in respect of a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Bookrunners for certain expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction and may not be offered, delivered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Each Joint Bookrunner agrees that neither it, its affiliates, nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes and it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States, except in accordance with Rule 903 of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

European Economic Area

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK retail investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other regulatory restrictions

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) 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.

Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the Notes and any representation to the contrary is an offence. Each Joint Bookrunner has represented, warranted and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws therein and, without limiting the generality of the foregoing:

- (a) any offer, sale or distribution of the Notes in Canada has and will be made only to purchasers that are resident in, or subject to the securities laws of, a province or territory of Canada that are (i) "**accredited investors**" (as such term is defined in section 1.1 of National Instrument 45-106 – Prospectus Exemptions ("**NI 45-106**") or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario)) and "permitted clients" (as such term is defined in section 1.1 of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations) that are not individuals, (ii) purchasing as principal, or are deemed to be purchasing as principal, in accordance with applicable Canadian securities laws, and (iii) not a person created or used solely to purchase or hold the Notes as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;
- (b) it is either (i) appropriately registered under applicable Canadian securities laws in each relevant province or territory to sell and deliver the Notes, (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein, or (iii) it is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; and
- (c) it has not and will not distribute or deliver this Prospectus, or any other offering material in connection with any offering of the Notes, in or to a resident of Canada other than in compliance with applicable Canadian securities laws.

Any resale of the Notes in Canada must be made under applicable securities laws which may impose a hold period or require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority.

Singapore

Each Joint Bookrunner has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

No action has been or will be taken by the Issuer or the Joint Bookrunners that would permit a public offering of the Notes, or possession or distribution of this document or other offering or publicity material relating to the Notes in any country or jurisdiction where action for that purpose is required. Other persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

Each Joint Bookrunner will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers the Notes or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense.

GENERAL INFORMATION

1. It is expected that the applications for the Notes to be admitted to the Official List of the FCA and to trading on the Market will be granted on or around 6 July 2023 and that such admission will become effective, and the dealings in the Notes on the London Stock Exchange will commence, on or around 7 July 2023. The estimated expenses related to the admission to trading are £6,550.
2. The Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Board on 6 March 2023 and resolutions of a sub-committee of the Board on 23 May 2023.
3. There has been no material adverse change in the prospects of the Issuer since 31 December 2022 and there has been no significant change in the financial performance or financial position of the Issuer or the Group since 31 December 2022.
4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) with respect to any member of the Group during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer and/or the Group.
5. There are no material contracts (not being contracts entered into in the ordinary course of business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued) that have been entered into by the Group.
6. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg with a Common Code of 264377668. The International Securities Identification Number (ISIN) for the Notes is XS2643776680.
7. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.
8. The yield of the Notes is 8.500 per cent., on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the issue price of 100.00 per cent. and the interest rate of 8.500 per cent. per annum. It is not an indication of future yield.
9. Copies of the following documents will be available for inspection at the websites listed below:
 - (a) the Trust Deed (which includes the form of the Global Note Certificate and the Certificates) (available at: <https://admiralgroup.co.uk/investor-relations/debt-investors>);
 - (b) the constitutional documents of the Issuer (available at: <https://find-and-update.company-information.service.gov.uk/company/03849958/filing-history/MzMzODM3ODk1MWFkaXF6a2N4/document?format=pdf&download=0>);
 - (c) the Annual Report and Accounts 2021 of the Issuer (available at: <https://www.admiralgroup.co.uk/static-files/d08da0fd-cb67-4d84-83e8-196d78d1a9aa>);
 - (d) the Annual Report and Accounts 2022 of the Issuer (available at: <https://www.admiralgroup.co.uk/static-files/702c838e-32ba-4302-9ab8-44ef661e56cd>);
 - (e) the Issuer's 2022 Group Solvency and Financial Condition Report (available at: <https://www.admiralgroup.co.uk/static-files/661c8a8c-5388-470a-9634-52617b8709b4>); and
 - (f) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus (available at: www.londonstockexchange.com/news).

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on these websites does not form part of this Prospectus.

10. The Issuer does not intend to provide any post-issuance information in relation to the Notes.
11. Deloitte LLP of 1 New Street Square, London EC4A 3HQ audited without qualification the consolidated annual financial statements of the Group for the financial years ended 31 December 2022 and 31 December 2021, in accordance with International Standards on Auditing (UK) and applicable law. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales and has no material interest in the Issuer.
12. The Joint Bookrunners and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Bookrunners or their respective affiliates that have (or may have in the future) a lending relationship with the Issuer and may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Bookrunners and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

HEAD OFFICE OF THE ISSUER

Admiral Group plc

Tŷ Admiral
David Street
Cardiff CF10 2EH

JOINT BOOKRUNNERS

HSBC Bank plc
8 Canada Square
London E14 5HQ

**Lloyds Bank Corporate
Markets plc**
10 Gresham Street
London EC2V 7AE

UBS AG London Branch
5 Broadgate
London EC2M 2QS

AUDITORS OF THE ISSUER

Deloitte LLP

1 New Street Square
London EC4A 3HQ

TRUSTEE

HSBC Corporate Trustee Company (UK) Limited

8 Canada Square
London E14 5HQ

PRINCIPAL PAYING AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ

REGISTRAR AND TRANSFER AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ

LEGAL ADVISERS

*To the Issuer
as to English law*

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

*To the Joint Bookrunners and
the Trustee as to English law*

Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS