



Phoenix Group Holdings

(incorporated with limited liability under the laws of the Cayman Islands with registered number 202172)

PGH Capital Public Limited Company

(incorporated with limited liability in Ireland with registered number 537912)

€3,000,000,000 Euro Medium Term Note Programme

guaranteed on a senior basis in respect of Notes issued by PGH Capital Public Limited Company by Phoenix Group Holdings

Under the Euro Medium Term Note Programme described in this Prospectus (the “**Programme**”), PGH Capital Public Limited Company (an “**Issuer**” or “**PGHC**”) and Phoenix Group Holdings (an “**Issuer**” and together with PGHC, the “**Issuers**” or “**PGH**”, or in its capacity as guarantor for the Senior Notes (as defined below) issued by PGHC, the “**Guarantor**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”). The Notes may be issued (i) in the case of PGH or PGHC, as dated unsubordinated notes (“**Senior Notes**”), (ii) in the case of PGH only, as dated subordinated notes with terms capable of qualifying as Tier 3 Capital (as defined in “*Terms and Conditions of the Tier 3 Notes*”) (“**Tier 3 Notes**”), (iii) in the case of PGH only, as dated subordinated notes with terms capable of qualifying as Tier 2 Capital (as defined in “*Terms and Conditions of the Tier 2 Notes*”) (“**Dated Tier 2 Notes**”) or as undated subordinated notes with terms capable of qualifying as Tier 2 Capital (as defined in “*Terms and Conditions of the Tier 2 Notes*”) (“**Undated Tier 2 Notes**”) and, together with the Dated Tier 2 Notes, the “**Tier 2 Notes**”). The Tier 2 Notes and the Tier 3 Notes are referred to collectively in this Prospectus as the “**Subordinated Notes**”. The aggregate nominal amount of Notes outstanding will not at any time exceed €3,000,000,000 (or the equivalent in other currencies). Senior Notes issued by PGHC will be guaranteed by the Guarantor on a senior, unsecured basis. Payments of interest, principal and guaranteed amounts under the Subordinated Notes may be subject to optional or mandatory deferral in accordance with the terms of the relevant Series (as defined herein) of Subordinated Notes.

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”), which is the United Kingdom competent authority (in such capacity, the “**UK Listing Authority**”), for the purposes of the Prospectus Directive (as defined herein) and relevant implementing measures in the United Kingdom as a base prospectus (the “**Prospectus**”) for the purposes of Article 5.4 of the Prospectus Directive and provides information with regard to PGH, PGHC and the Group (being PGH and each of its consolidated subsidiaries (the “**Group**” and each a “**Group Company**”)) which, according to the particular nature of PGH, PGHC, the Group and the Notes is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses and prospects of PGH (where applicable), PGHC and (in each case) the Group and the Notes.

Applications have been made to the UK Listing Authority for Notes issued under the Programme (other than PD Exempt Notes (as defined below)) for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s EEA Regulated Market (the “**Market**”). The Market is a regulated market for the purposes of European Council Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market (or any other stock exchange) and have been admitted to the Official List. The relevant Final Terms (as defined herein) or Pricing Supplement (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange). References in this Prospectus to “**PD Exempt Notes**” are to Notes for which no prospectus is required to be published pursuant to the Prospectus Directive (as defined below). Information contained in this Prospectus regarding PD Exempt Notes shall not be deemed to form part of this Prospectus and the UK Listing Authority has neither approved nor reviewed information contained in this Prospectus in connection with the offering and sale of PD Exempt Notes. In the case of PD Exempt Notes, notice of the aforesaid information which is applicable to each Tranche (as defined herein) will be set out in a pricing supplement document (“**Pricing Supplement**”). Accordingly, in the case of PD Exempt Notes, each reference in this Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement, unless the context requires otherwise.

Each Series of Notes in bearer form may be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”) and, together with a temporary Global Note, a “**Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s (as defined herein) entire holding of Registered Notes (as defined herein) of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be, for one or more clearing systems are referred to as “**Global Certificates**”. In the case of Senior Notes, if the relevant Global Note is stated in the applicable Final Terms to be issued in New Global Note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and Certificates will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”). In the case of Senior Notes, if the relevant Global Certificates are stated in the applicable Final Terms to be issued under the New Safekeeping Structure (“**NSS form**”), the Global Certificates will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Overview of Provisions Relating to the Notes while in Global Form*”.

Series of Notes to be issued under the Programme may be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or Notes already issued. Where a Series of Notes is rated, the applicable rating(s) will be specified in the applicable Final Terms. A credit 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.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the “**EEA**”) or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Prospective investors should have regard to the section headed “*Risk Factors*” on page 24 of this Prospectus for a discussion of factors which may affect the Issuer’s and the Guarantor’s ability (as applicable) to fulfil their respective obligations in respect of Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any State or other jurisdiction of the United States (the “**United States**” or “**U.S.**”) and the Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Notes in bearer form, delivered within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership.

Arranger

Citigroup

Dealers

ABN AMRO
Commerzbank
J.P. Morgan

BofA Merrill Lynch
HSBC
Lloyds Bank

Citigroup
ING
Morgan Stanley

Natixis

NatWest Markets

PGH accepts responsibility for the information contained in this Prospectus and (as applicable) the Final Terms relating to any Series of Notes. PGHC accepts responsibility for the information contained in this Prospectus and (as applicable) the Final Terms relating to any Series of Senior Notes issued or to be issued by PGHC. To the best of the knowledge of each of PGHC and PGH (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Relevant third party information has been extracted from sources as specified in this Prospectus. Each of PGHC and PGH confirm that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA (each, a “Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer (as defined in “*Overview of the Programme*”) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of PGHC, PGH, the Arranger (as defined in “*Overview of the Programme*”) nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for PGH, PGHC (if applicable), the Arranger or any Dealer to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and includes any relevant implementing measure in the Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail

investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by PGHC, PGH, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States, and may include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered or sold or, in the case of Notes in bearer form, delivered within the United States or to, or for the account or benefit of, United States persons (as defined in Regulation S).

The Notes are being offered and sold outside the United States to non-United States persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*”.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of PGHC, PGH, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for, or purchase, any Notes and no such invitation is hereby made.

Save for PGHC and PGH, no other person has separately verified the information contained herein. To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee or a Dealer or on its behalf in connection with PGHC, PGH or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of PGHC, PGH, the Arranger, the Trustee or the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus or any other information supplied in connection with the Programme or the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Trustee or the Arranger undertakes to review the financial condition or affairs of PGHC or PGH 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 the attention of any of the Dealers, the Trustee or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date

on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Enforceability of Judgments

PGHC is a corporation organised under the laws of Ireland and PGH is an exempted company incorporated under the laws of the Cayman Islands. None of the directors and executive officers of PGHC and PGH are residents of the United States, and all or a substantial portion of the assets of PGHC and PGH and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon PGHC or PGH or such persons or to enforce against any of them in the United States courts judgements obtained in United States courts, including judgements predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. PGHC is not and will not be regulated by the Central Bank of Ireland as a result of issuing any Series of Notes.

IMPORTANT INFORMATION

Cautionary note regarding forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- management of PGH being distracted or overstretched by the process of continuing to integrate Abbey Life Assurance Company Limited, Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited (“**Abbey Life**”) into the Group and managing the Group;
- risks stemming from the economy and the performance of financial markets generally;
- changes in the legal and regulatory environment in which the Group operates;
- the FCA, the PRA or other regulators intervening in the Group’s business on industry-wide issues, or conducting thematic reviews;
- restrictions on the ability to pay dividends, or a failure to pay dividends according to the Group’s dividend policy;
- changes in regulatory capital requirements;
- changes in accounting standards or in actuarial assumptions;
- risk management policies and procedures being ineffective;
- further contributions, in addition to those already agreed, being required to be made to the Group’s defined benefit pension schemes;
- third party asset management firms that manage the Group’s assets underperforming or difficulties arising from the Group’s outsourcing relationships;
- the Group failing to maintain the availability of its systems and to safeguard the security of its data;
- third party reinsurers being unwilling or unable to meet their obligations under reinsurance contracts;

- legal and arbitration proceedings;
- the level of the Group’s indebtedness;
- changes in taxation law, including future changes in the tax legislation affecting specific products offered by the Group and changes to the VAT rules; and
- other factors discussed in the section of this Prospectus headed “*Risk Factors*”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Subject to the requirements of the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules (each as set out in the FCA Handbook) and Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the “**Market Abuse Regulation**”) PGHC and PGH undertake no obligation publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in PGHC’s or PGH’s expectations or to reflect events or circumstances after the date of this Prospectus.

Presentation of financial information

Financial information, unless otherwise stated, has been extracted without material adjustment from the Annual Report and Accounts of the Group for the years ended 31 December 2016 and 2015 and the Annual Report and Accounts of PGHC for the years ended 31 December 2015 and 2014. Where information has been extracted from the audited consolidated financial statements of the Group, the information is audited unless otherwise stated.

Unless otherwise indicated, financial information for the Group in this Prospectus and the information incorporated by reference into this Prospectus is presented in sterling and has been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

References to “**Solvency II**” in this Prospectus are to the Directive on the taking up and pursuit of the business of insurance and reinsurance (Solvency II) (2009/138/EC) and implementation measures in respect thereof, establishing a new regime in relation to solvency requirements and other matters affecting the financial strength of insurers and reinsurers in the EU.

Presentation of certain key performance indicators and targets

Certain key performance indicators and targets referred to in this Prospectus are unaudited non-GAAP measures that are used by the Group, including those described below:

- **Solvency II Own Funds (“Own Funds”)** — Own Funds are the aggregate of “basic Own Funds” (assets an insurer has on its balance sheet) and “ancillary Own Funds” (off-balance sheet resources that are loss absorbent, for example, unpaid share capital), all such assets are subject to eligibility criteria and weighting, as determined by reference to Articles 93 to 95 of Solvency II as well as to Articles 69 to 73,

76, 77, 79 and 82 of Commission Delegated Regulation (EU) 2015/35, as interpreted by EIOPA's "Guidelines on Own Funds" (BoS-14/168 EN). References to the Own Funds of a particular entity are references to the Own Funds held by an entity, whereas references to the Group's Own Funds, are references to the Own Funds within the scope of the Solvency II group.

- **Solvency Capital Requirement ("SCR")** — This is the standard Own Funds level that a UK life insurer is required to maintain by the PRA. A separate calculation also applies to Solvency II groups. SCR is determined by reference to a basic standard formula set out in Articles 103–111 of Solvency II, however, a life insurer may agree an amendment to the standard formula to create a bespoke calculation which more accurately reflects the risks applicable to that life insurer, that amendment is achieved by way of an Internal Model. Own Funds held to meet the SCR requirement (and any additional amendment or add-on approved by the PRA) are also referred to as "regulatory capital" and any reference to an increase or decrease in a regulatory capital requirement is a reference to an increase or decrease in the amount of regulatory capital an entity has to hold. The amount by which an SCR requirement is exceeded by Own Funds is referred to as the "**Solvency II Surplus**".
- **Shareholder Capital Coverage Ratio** — This is the ratio of Solvency II Own Funds to SCR, excluding Solvency II Own Funds and SCR of unsupported with-profit funds and Group pension schemes. Unsupported with-profit funds and Group pension schemes refer to those funds whose Solvency II Own Funds exceed their SCR. Where a with-profit fund or Group pension scheme has insufficient Solvency II Own Funds to cover its SCR, its Solvency II Own Funds and SCR are included within the Shareholder Capital Coverage Ratio Calculation.
- **Assets under management ("AUM")** — These are assets managed by the Group and held (i) in respect of actual or anticipated liabilities to policyholders under a policy, or (ii) on behalf of policyholders under the terms of a policy.
- **Holding Companies cash** — This represents the cash and cash equivalents held in the Holding Companies and available to be used to meet future corporate expenses, pension scheme funding requirements, debt servicing and repayments, and the payment of shareholder dividends. In this Prospectus "**Holding Companies**" refers to PGH, Phoenix Life Holdings Limited, Pearl Group Holdings (No. 2) Limited, Impala Holdings Limited, Pearl Group Holdings (No. 1) Limited, PGH (LCA) Limited, PGH (LCB) Limited and Pearl Life Holdings Limited.
- **MCEV** — This is an estimate of the economic worth of a life insurance business. It comprises the (i) net assets of the business under IFRS and (ii) the present value of future cashflows from in-force business, but excludes any value that may be generated by writing future new insurance business. A "market-consistent methodology" is applied so that assets and liabilities are valued in line with market prices and consistently with each other.

Currencies

In this Prospectus and the information incorporated by reference into this Prospectus, references to "£", "sterling" or "GBP" are to the lawful currency of the United Kingdom, references to "US dollars" or "U.S.\$", are to the lawful currency of the United States, and references to "Euro", "euro" or "€" are to the euro, the European single currency which was introduced at the start of the third stage of the European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

No profit forecast

No statement in this Prospectus is intended as a profit forecast and no statement in this Prospectus should be interpreted to mean that earnings per ordinary share (a "**Share**") for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

Volcker Rule

Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “**Volcker Rule**”) prevents “banking entities” as defined under the Volcker Rule (which would include certain non-U.S. affiliates of U.S. banking entities) from, among other things, acquiring an “ownership interest” in, or in sponsoring, any “covered fund” as defined in the Volcker Rule.

PGH may be treated as a “covered fund” under the Volcker Rule. Further, “ownership interest” is broadly defined and may arise through a holder’s exposure to the profit and losses of a covered fund as well as through any right of the holders to participate in the selection of an investment advisor, manager or board of directors of the covered fund. While it is PGH’s belief that the Notes should not be considered “ownership interests” of PGH or (in the case of Senior Notes issued by PGHC) PGHC, there is no assurance that they would not be, and none of PGHC, PGH, or the Dealers makes any representation regarding the status of the Notes under the Volcker Rule or with respect to the ability of any investor to acquire or hold the Notes, now or at any time in the future. Each investor is responsible for analysing its own position under the Volcker Rule and any similar measures. To the extent that investment by banking entities in the Notes is prohibited or restricted by the Volcker Rule, this may impair the marketability and liquidity of the relevant series of Notes.

Currency exchange rate information

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in sterling. The functional currency of PGH and PGHC is sterling, as is the reporting currency of the Group. Transactions not already measured in sterling have been translated into sterling in accordance with the relevant provisions of IAS21. On consolidation, income statements of subsidiaries for which sterling are not the functional currency are translated into sterling, the presentation currency for PGH and PGHC, at average rates of exchange. Balance sheet items are translated into sterling at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into sterling at the rate indicated, at any other rate or at all.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Prospectus is described therein and may be different to the convenience translations.

Insurance Group

References in this prospectus to the “**Insurance Group**” are to Phoenix Life Holdings Limited, or any other Subsidiary or parent company of PGH which from time to time constitutes the highest EEA entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the regulatory capital requirements in force from time to time.

Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement; (b) 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; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency; (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) 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.

The Notes are complex financial instruments. An investment in the Notes may be considered by investors who are in a position to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the information set out in the table below and the information contained in (i) the 2016 and 2015 Annual Report and Accounts published by the Group, (ii) the 2015 and 2014 Annual Report and Accounts published by PGHC and (iii) the documents relating to the substitution of PGH in place of PGHC as issuer and principal debtor under the £300,000,000 4.125 per cent. Tier 3 Notes due 2022 initially issued by PGHC on 20 January 2017 (the “**Substitution**”) set out in the table below, which have each been previously published and which have been approved by the FCA or filed with it. Such documents shall be incorporated in and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included 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.

Copies of (i) the 2016 and 2015 Annual Report and Accounts published by the Group and (ii) the 2015 and 2014 Annual Report and Accounts published by PGHC have been filed with the National Storage Mechanism or announced through a Regulatory Information Service and are available on PGH’s corporate website at <http://www.thephoenixgroup.com> and are available free of charge at PGH’s principal place of business at 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.

Reference Document	Information incorporated by reference	Page number in the reference document
2015 Annual Report and Accounts of PGHC		
	The discussion and analysis for the year ended 31 December 2015 contained in the “ <i>Business review</i> ” section (excluding the “ <i>Principal risks and uncertainties</i> ” subsection)	2 – 4
	Independent Auditor’s report	5a – 5b
	Statement of comprehensive income	6
	Statement of financial position	7
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2014 Annual Report and Accounts of PGHC		
	The discussion and analysis for the period 14 January 2014 to 31 December 2014 contained in the “ <i>Business review</i> ” section (excluding the “ <i>Principal risks and uncertainties</i> ” subsection)	2 – 4
	Independent Auditor’s report	5

Reference Document	Information incorporated by reference	Page number in the reference document
	Statement of comprehensive income	6
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	Notes to financial statements	10 – 18
 2016 Annual Report and Accounts of the Group		
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 2015 Annual Report and Accounts of the Group		
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	Amended terms and conditions in relation to the £300,000,000 4.125 per cent. Tier 3 Notes due 2022 initially issued by PGHC on 20 January 2017 and now issued by PGH.	–
	Amended and Restated Final Terms dated 20 March 2017 in relation to the £300,000,000 4.125 per cent. Tier 3 Notes due 2022 initially issued by PGHC on 20 January 2017 and now issued by PGH.	–
	RNS published on 20 March 2017 by PGH with respect to the substitution of PGH in place of PGHC as issuer and principal debtor of outstanding securities entitled “Notice of the Substitution of Phoenix Group Holdings (“PGH”) in place of PGH Capital Public Limited Company (“PGHC”) as issuer of Outstanding Securities”	–

SUPPLEMENTAL PROSPECTUS

If at any time the Issuers are required to prepare a supplemental prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”), the Issuers will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

Each of the Issuers has given an undertaking to the Dealers in the Programme Agreement (as defined in “*Subscription and Sale*” herein) that it will comply with Section 87 of the FSMA and, if required by law, the Issuers shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms or Pricing Supplement. Words and expressions defined in “Terms and Conditions of the Senior Notes”, “Terms and Conditions of the Tier 3 Notes” and “Terms and Conditions of the Tier 2 Notes” below shall, as appropriate, have the same meanings in this overview.

Issuers	PGH Capital Public Limited Company (in relation to Senior Notes only). Phoenix Group Holdings.
Guarantor (in respect of Senior Notes issued by PGHC only)	Phoenix Group Holdings.
Description	Euro Medium Term Note Programme.
Size	Up to £3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger	Citigroup Global Markets Limited.
Dealers	ABN AMRO Bank N.V. Citigroup Global Markets Limited Commerzbank Aktiengesellschaft HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc Lloyds Bank plc Merrill Lynch International Morgan Stanley & Co. International plc Natixis The Royal Bank of Scotland plc (trading as NatWest Markets)
	The Issuers may from time to time appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme or terminate the appointment of any dealer under the Programme in accordance with the Programme Agreement. References in this Prospectus to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Citibank, N.A., London Branch.
Issuing and Paying Agent	Citibank, N.A., London Branch.
U.S. Paying Agent	The Issuers may from time to time appoint a U.S. paying agent (the “ U.S. Paying Agent ”) under the Programme.

Method of Issue

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first payment of interest and date from which interest starts to accrue), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, date from which interest starts to accrue, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable final terms document (the “**Final Terms**”) or the applicable pricing supplement document (“**Pricing Supplement**”).

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Notes

The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”).

Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year; otherwise such Tranche will be represented by a permanent Global Note. Global Notes may be issued in NGN form.

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be, for one or more clearing systems are referred to as “**Global Certificates**”. Global Certificates may be issued in NSS form.

Clearing Systems

Clearstream, Luxembourg and Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes

On or before the issue date for each Tranche of Senior Notes, if the relevant Global Note represents Bearer Notes and is in NGN form, the relevant Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche of Senior Notes, if the relevant Global Certificates represent Registered Notes and are in NSS form, the relevant Global Certificates will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

On or before the issue date for each Tranche of Tier 2 Notes, Tier 3 Notes or Senior Notes (together, the “**Notes**”) (if the relevant Global

Note is in CGN form), the relevant Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.

Maturities

Subject to compliance with all relevant laws, regulations, directives and requirements of the Prudential Regulatory Authority (the “PRA”), Dated Tier 2 Notes may have any maturity of no less than 10 years and Undated Tier 2 Notes will be perpetual and will not have a stated maturity.

Subject to compliance with all relevant laws, regulations, directives and requirements of the PRA, Tier 3 Notes may have any maturity of no less than 5 years.

Subject to compliance with all relevant laws, regulations and directives, Senior Notes may be issued with any maturity greater than one month.

Specified Denomination

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) (x) where PGHC wishes to issue Notes with a maturity of less than one year, it shall ensure that the Notes are issued in full compliance with the conditions set out in Notice BSD C 01/02 dated 12 November 2002 (as amended from time to time) issued by the Central Bank of Ireland pursuant to section 8(2) of the Central Bank Act, 1971 (as amended) of Ireland, including, *inter alia*, that the Notes must be issued and transferable in minimum denominations of EUR 125,000 or the foreign currency equivalent and; (y) subject to the proviso above, unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination and redemption price of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms or Pricing Supplement and will be calculated on the basis of such Day Count Fraction as specified in the relevant Final Terms or Pricing Supplement.
Fixed Rate Reset Notes	Fixed interest will be payable at the Initial Rate of Interest in arrear on the Interest Payment Date(s) in each year for an initial period as specified in the relevant Final Terms or Pricing Supplement. Thereafter, the interest rate may be recalculated on certain dates specified by reference to a Benchmark Gilt Rate or Mid-Market Swap Rate for the relevant currency, and for a period equal to the Reset Period, as adjusted for any applicable margin, in each case as specified in the relevant Final Terms or Pricing Supplement.
Fixed to Floating Rate Notes	Interest on the Fixed to Floating Rate Notes will bear a fixed rate of interest during the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Period End Date specified in the relevant Final Terms or Pricing Supplement and from (and including) the Fixed Period End Date will bear interest on the same basis as Floating Rate Notes.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</p> <p>(ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.</p> <p>Interest periods will be specified in the relevant Final Terms or Pricing Supplement.</p>
Zero Coupon Notes (Senior Notes only)	Zero Coupon Notes (as defined in “ <i>Terms and Conditions of the Senior Notes</i> ”) may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Final Terms or Pricing Supplement.
Redemption	<p>The relevant Final Terms or Pricing Supplement will specify the basis for calculating the redemption amounts payable.</p> <p>Redemption of Tier 3 Notes and Dated Tier 2 Notes prior to their stated maturity is subject to prior written notice to, and the absence of objection from, the Relevant Regulator as more fully described in “<i>Terms and Conditions of the Tier 3 Notes – Redemption, Substitution, Variation, Purchase and Options</i>” or “<i>Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options</i>” (as applicable).</p>

Undated Tier 2 Notes are perpetual and have no Maturity Date and are only redeemable or repayable subject to prior written notice to, and the absence of objection from, the Relevant Regulator as more fully described in “*Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options*”.

Optional Redemption

The Final Terms or Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed at the option of the relevant Issuer and/or (in the case of Senior Notes only) the holders and, if so, the terms applicable to such redemption. No Subordinated Notes may be redeemed at the option of the holders of such Notes.

Status of Senior Notes

The Senior Notes constitute direct, unconditional, unsubordinated and (subject to Condition 3(b) of the “*Terms and Conditions of the Senior Notes*”) unsecured obligations of the relevant Issuer.

Status of Subordinated Notes

The Tier 3 Notes will constitute unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Tier 3 Notes will rank in priority to the claims of holders of Tier 2 Notes and will rank junior to the claims of Senior Creditors (including holders of Senior Notes) in an Issuer Winding-Up and otherwise as set out in “*Terms and Conditions of the Tier 3 Notes*”.

The Dated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Dated Tier 2 Notes will rank junior to the claims of Senior Creditors (including holders of Senior Notes and Tier 3 Notes) in an Issuer Winding-Up and otherwise as set out in “*Terms and Conditions of the Tier 2 Notes*”.

The Undated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Undated Tier 2 Notes will rank junior to the claims of Senior Creditors (including holders of Senior Notes, Tier 3 Notes and (unless an Undated Notes Parity Election has been made) Dated Tier 2 Notes) in an Issuer Winding-Up and otherwise as set out in “*Terms and Conditions of the Tier 2 Notes*”.

Solvency Condition – Subordinated Notes

In relation to each Series of Subordinated Notes, other than in circumstances where an Issuer Winding-Up has occurred or is occurring (subject to Condition 3(c) of the relevant Terms and Conditions), all payments under or arising from (including any damages awarded for breach of any obligations under) the Notes or the Trust Deed shall be conditional upon the satisfaction of the applicable Solvency Condition (as that term is described in Condition 3(d) of the relevant Terms and Conditions) at the time for payment by PGH and immediately thereafter.

Interest Deferral – Subordinated Notes

Applicable to the Tier 2 Notes only: if Optional Interest Payment Date is specified, PGH may on any Optional Interest Payment Date defer

payments of interest on the relevant Series of Tier 2 Notes as more fully described in “*Terms and Conditions of the Tier 2 Notes – Deferral of Payments*”.

Applicable to all Subordinated Notes: PGH is required to defer any payment of interest on such Subordinated Notes on each Regulatory Deficiency Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) as more fully described in “*Terms and Conditions of the Tier 2 Notes – Deferral of Payments*” and “*Terms and Conditions of the Tier 3 Notes – Deferral of Payments*” (as applicable).

Arrears of Interest – Subordinated Notes

Any interest which is deferred in accordance with the Solvency Condition or mandatory deferral provisions contained in the Terms and Conditions of the Tier 3 Notes or the Tier 2 Notes or the optional deferral provisions contained in the Terms and Conditions of the Tier 2 Notes will, for so long as it remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest, and will be payable by PGH as provided in Condition 5(d) in respect of the Tier 2 Notes and Condition 5(c) in respect of the Tier 3 Notes.

Redemption Deferral – Subordinated Notes

PGH is required to defer any scheduled redemption of Subordinated Notes (whether at maturity (if any) or if it has given notice of early redemption in the circumstances described below in Conditions 6(c), 6(d), 6(e) and 6(f) of the relevant Terms and Conditions) if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the relevant Series of Subordinated Notes were redeemed, (ii) the relevant Series of Subordinated Notes cannot be redeemed in compliance with the Solvency Condition, or (iii) (if then required) the Regulatory Clearance Condition has not been satisfied or redemption cannot be made in compliance with the Relevant Rules at such time. See “*Terms and Conditions of the Tier 3 Notes – Redemption, Substitution, Variation, Purchase and Options*” or “*Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options*” as applicable.

Negative Pledge – Senior Notes only

Applicable to Senior Notes only. See “*Terms and Conditions of the Senior Notes – Negative Pledge*”.

Early Redemption, Variation or Substitution for Taxation Reasons, Capital Disqualification Event and/or Ratings Methodology Event

The Subordinated Notes may, subject as provided in Condition 5 of the relevant Terms and Conditions, be redeemed at their Optional Redemption Amount together with any accrued and unpaid interest to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of PGH on any Optional Redemption Date (if any).

In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event, or a Ratings Methodology Event (if Ratings Methodology Call is specified) the Subordinated Notes may be (i) substituted for, or their terms varied so that they become, Qualifying Securities or Rating Agency Compliant Securities, whichever is

relevant; or (ii) redeemed at the Special Redemption Price, together in each case with any accrued and unpaid interest and any Arrears of Interest, all as more particularly described in “*Terms and Conditions of the Tier 3 Notes – Redemption, Substitution, Variation, Purchase and Options*” or “*Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options*” as applicable.

The Senior Notes may, subject as provided in Condition 6(c) of the Senior Notes, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption at the option of PGH if PGH becomes obliged to pay additional amounts in respect of withholding tax. See “*Terms and Conditions of the Senior Notes – Redemption, Substitution, Variation, Purchase and Options*”.

**Pre-conditions to redemption,
variation, substitution or purchase
– Subordinated Notes**

Any purchase of Subordinated Notes by PGH or any Subsidiary of PGH, any redemption of the Notes and any substitution or variation of the Notes will, if and to the extent then required by the Relevant Rules, be conditional upon: (i) each of PGH and the Insurance Group being in continued compliance with the Regulatory Capital Requirements (if any) applicable to them; (ii) PGH having complied with the Regulatory Clearance Condition; (iii) in the case of any redemption or purchase of the Notes prior to the relevant Capital Replacement End Date, the redemption or purchase being funded (to the extent then required by the PRA pursuant to the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and being otherwise permitted under the Relevant Rules; and (iv) compliance with any other applicable requirements of the Relevant Rules regarding redemption, purchase, substitution or variation (as the case may be) of the Notes.

**Restricted Events of Default and
Enforcement Rights –
Subordinated Notes**

In respect of each Series of Subordinated Notes, if (A) default is made by PGH for a period of 14 days or more in the payment of any amount due under the Notes or (B) an Issuer Winding-Up occurs, the Trustee at its discretion may, and if so directed by one fifth in principal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (having been indemnified and/or secured and/or pre-funded to its satisfaction): (x) give notice to PGH that such Notes are, and they shall accordingly forthwith become, immediately due and payable at an amount equal to their principal amount together with any Arrears of Interest and any other accrued and unpaid interest; and (y) institute proceedings for the winding-up of PGH and/or prove in the winding-up or administration of PGH and/or claim in the liquidation of PGH, but (in either case) may take no further or other action to enforce, prove or claim for any payment by PGH in respect of such Notes, the Coupons or the Trust Deed.

In respect of each Series of Subordinated Notes, the right to institute winding-up proceedings in respect of PGH is limited to circumstances where a payment under the Notes has become due and has not been paid by PGH. For the avoidance of doubt, unless an Issuer Winding-

Up has occurred, no amount shall be due from PGH in those circumstances where payment of such amount could not be made in compliance with the Solvency Condition or is deferred in accordance with Condition 5(a) (if applicable), 5(b), 6(b) or 6(i) in respect of the Tier 2 Notes and Condition 5(a), 6(b) or 6(i) in respect of the Tier 3 Notes.

Withholding Tax

The relevant Issuer or, as the case may be in respect of Senior Notes issued by PGHC, the Guarantor will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature required by law in the Relevant Jurisdiction upon payments made by or on behalf of the relevant Issuer in respect of the Notes or by or as applicable on behalf of the Guarantor under the Guarantee, will equal the amount which would have been received in the absence of any such withholding or deduction, subject to customary exceptions – see “*Terms and Conditions of the Senior Notes*”, “*Terms and Conditions of the Tier 3 Notes*” and “*Terms and Conditions of the Tier 2 Notes*”.

Substitution of obligor and transfer of business

The Conditions permit the Trustee to agree to the substitution in place of the relevant Issuer or, as the case may be in respect of the Senior Notes issued by PGHC, the Guarantor of a Substituted Obligor without the consent of Noteholders.

If a Newco Scheme (as defined in the relevant Conditions) occurs, the relevant Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed (i) in the case of Senior Notes issued by PGHC, as guarantor in place of the Guarantor or (ii) in the case of all Notes, as issuer of the Notes in place of the relevant Issuer.

Meetings of Noteholders

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

Governing Law

In relation to the Senior Notes, English law.

In relation to the Subordinated Notes, English law, save that the provisions relating to the status and subordination of the Notes, the corresponding provisions of the Trust Deed will be governed by the laws of the Cayman Islands.

Listing

Applications have been made to list Notes (other than PD Exempt Notes) issued under the Programme for the period of 12 months from the date of this Prospectus on the Official List and to admit them to trading on the Market. PD Exempt Notes may be unlisted and/or may be admitted to trading on another market or stock exchange, as set out in the applicable Pricing Supplement.

Ratings

Tranches of Senior Notes, Tier 3 Notes, Dated Tier 2 Notes and Undated Tier 2 Notes may be rated or unrated. 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. Whether or not each/any rating applied in relation to a Series of Notes has been issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

Selling Restrictions

U.S., EEA, UK, Republic of Italy, Hong Kong, Singapore, Switzerland and Ireland. See “*Subscription and Sale*”.

Each of the Issuers is Category 2 for the purposes of Regulation S.

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

See also “*Important Information – Volcker Rule*”.

RISK FACTORS

Each of PGHC and PGH believe that the following factors may affect their ability to fulfil their respective obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither PGHC nor PGH is in a position to express a view on the likelihood of any such contingency occurring.

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

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

Factors that may affect PGHC's and PGH's ability to fulfil their obligations (as appropriate) under Notes issued under the Programme include:

Risks Relating to the Group

Economy and Financial Markets

The Group's business is subject to risks arising from economic conditions in the United Kingdom and other markets in which it operates or in which its and its policyholders' investments are invested and from risks arising from the continuing global economic weakness, such as those associated with the Eurozone crisis and the vote by the United Kingdom to leave the European Union, also known as "Brexit"

The Group's business is subject to risks arising from general and sector-specific economic conditions in the markets in which it operates or invests, particularly the United Kingdom, in which the Group's earnings are and will be predominantly generated and in which its and its policyholders' investments are predominantly invested. Although investment risks are often borne, in whole or in part, by its policyholders in accordance with the terms of the relevant policies, fluctuations in investment markets and the general rate of inflation will, directly and indirectly, affect the Group's financial position, including its value, its reserving and regulatory capital requirements and its results. Substantial decreases in the value of investments could lead to shareholder capital of the Life Companies (as defined in "Information on Phoenix Group Holdings and the Group") being required to meet obligations to policyholders and reserving and regulatory capital requirements and could restrict the ability of the Life Companies to distribute dividends or release capital to service or pay down debt. Such decreases may also encourage policyholder retention to decrease, and withdrawals to increase, as policyholders seek to reduce their exposure to the Group's investments. Decreases in the value of investments could also require further capital to be held to cover pension scheme obligations.

The exact impact of market risks faced by the Group is uncertain, difficult to predict and respond to, in particular, in view of (i) the unpredictable consequences of Brexit, (ii) difficulties in predicting the rate at which any economic deterioration may occur, and over what duration and (iii) the fact that many of the related risks to the business are totally, or partly, outside the control of the Group.

Economic conditions in the United Kingdom and other markets in which the Group operates or in which the Group's and its policyholders' investments are invested could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute its M&A strategy and future acquisitions and disposals, which could have an adverse effect on the Group

The Group's strategy includes the disciplined acquisition of closed life fund companies and portfolios in order to offset the natural decline inherent in a largely closed book business as well as to grow the business and create additional value from scale advantages.

The Group's ability to acquire closed life fund companies and portfolios will depend upon a number of factors, including its ability to identify suitable acquisition opportunities, its ability to consummate acquisitions on favourable terms and the Group's ability to obtain financing to make acquisitions and support growth. Additionally the Group's ability to obtain required regulatory consents from the FCA and PRA and other relevant regulatory authorities for acquisitions, disposals and insurance business transfers under Part VII of the FSMA will depend on, amongst other things, the financial condition of the Group, the Life Companies, the financial implications of any acquisition on the Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security as a result of the financial condition of the Group.

There are other closed life fund consolidators as well as a number of other potential purchasers, including other insurance companies, banks, hedge funds and private equity firms, which may result in increased competition (and therefore higher prices paid) for acquisitions of closed life companies. External factors which influence sector participants' decisions to seek to dispose of their insurance interests could also impact the Group's ability to make acquisitions.

In connection with any future acquisitions, the Group may experience unforeseen difficulties as it integrates the acquired companies and portfolios into its existing operations. These difficulties may require significant management attention and financial resources.

In addition, future acquisitions involve risks more generally, including:

- (i) due diligence investigations not identifying material liabilities or risks within the acquired business or adequately assessing the value of the acquired business;
- (ii) difficulties in integrating the risk, financial, technological and management standards, processes, procedures and controls of the acquired business with those of the Group's existing operations;
- (iii) challenges in managing the increased scope and complexity of the Group's operations;
- (iv) triggering or assuming liabilities, including employee pension liabilities;
- (v) failure to achieve the anticipated benefits and synergies from acquisitions;
- (vi) distraction of management from existing businesses;
- (vii) unexpected losses of key employees of the Group and the acquired business;
- (viii) the value of any acquired business being less than the consideration paid as a result of adverse events affecting the value;
- (ix) changing the structure of the Group, which may result in a reduction in brought forward tax losses; and
- (x) PGH being placed under negative watch by rating agencies and losing its investment grade rating due to the inherent risks of acquisitions such as an increase in leverage ratio and the failure to successfully integrate acquisitions.

If the Group decides to dispose of a company which it owns, or the business or assets of such a company, such as a block of annuities, there is no guarantee that it will find a purchaser for such company, business or assets,

or that a potential purchaser will have the same view of the value of such company, business or assets. In addition, significant acquisitions and disposals by the Group may require the consent of the Group's bank lenders and there can be no assurance that the Group would be able to obtain such consents. Any of these factors may mean that the Group is unable to realise the target value of such company, business or assets.

If the Group is unable to acquire additional closed life fund companies and portfolios in line with its strategy in the medium term or successfully meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

Significant declines in equity markets, bond markets or property prices, or significant movements in swap yields relative to gilt yields, could have an adverse effect on the Group

As at 31 December 2016, funds of the Life Companies were invested as follows: 43 per cent. in government, supranational, corporate debt and other fixed income securities; 13 per cent. in cash and cash equivalents; 28 per cent. in equity securities; 2 per cent. directly in property; and 14 per cent. in other investments.

Although, subject to certain guaranteed benefits (see paragraph below), policyholders bear most of the impact of falls in equity, debt and property values in accordance with the terms of their policies, significant decreases in the market prices of the Group's equity, debt and property investments could reduce the amounts available to fund its long-term policyholder obligations. This, in turn, could increase liquidity risks and could lead to shareholder capital of the Life Companies being retained or shareholder capital available within the Group being required to be injected into the Life Companies to meet obligations to policyholders and regulatory capital requirements. Further capital could also be required to cover the Group's pension scheme obligations.

Certain of the benefits due to policyholders do not track the performance of the underlying investments held in respect of their policies, in particular some of the Group's with-profit policies and a number of the Group's unit linked policies offer guaranteed benefits. These policies increase the Group's financial exposure to investment risk because it is exposed to the mismatch between performance and the benefits it has to offer policyholders. The Group has implemented hedging arrangements which seek to protect it to an extent against declines in equity markets but not all investment exposure is hedged and it may not be possible, feasible or desirable to hedge such exposure in the future. To the extent that these exposures have not been hedged, the Group may have to meet the mismatch between the benefits to be paid under the policies and the performance of the underlying assets.

Relative movements in credit spreads, gilt yields and swap yields may affect the calculated value of the assets and liabilities of the Group and different financial and actual metrics which are applied to the Group (including those in this Prospectus) will respond in different ways. For example, the market value of the Group's holdings in gilts will move in line with changes in gilt yields, whereas the Group's holdings in certain other assets such as swaps, swaptions and other derivatives will move in line with swap yields. For Solvency II reporting, and the calculation of reserving and regulatory capital, the Group's liabilities generally move in line with swap yields. Changes in the relative swap yields versus gilt yields could therefore have adverse impacts on the Group's regulatory capital position and its Own Funds, and the impacts may not move in a linear fashion. The Group implements hedging arrangements which seek to partially mitigate some changes in relative yields but not all exposure is hedged and it may not be possible, feasible or desirable to hedge all such exposures in the future. Similarly, movements in credit spreads may also adversely impact on the Group's capital and profit positions. Asset valuations change by reference to the entire change in the credit spread, whereas the liability calculation may only reflect part or none of the movement in credit spread depending on the type of business and the metric being considered.

Other EU countries may seek to conduct their own referenda on their continuing membership of the European Union. Brexit and other referenda could adversely affect UK, European or worldwide economic or market conditions and could contribute to instability and volatility in global financial markets, which could act as a

drag on the relative valuations of UK equities or other companies making use of the single market from the United Kingdom, with a negative impact on insurers, such as the Group, whose assets are exposed to UK and other markets. Brexit may also impact on foreign exchange and interest rates, which will also have an impact on the value of an insurer's investment portfolio, or any collateral that it holds.

Any significant declines in equity markets, bond markets, interest rates (including for sovereign debt) or property prices, or significant movements in swap yields relative to gilt yields or credit spreads, and corresponding changes to reserving and regulatory capital requirements, could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by changes in interest rates and inflation risks

The Group's exposure to interest rate and inflation risks relates primarily to the variability of market prices and cashflow of assets relative to liabilities associated with changes in interest and inflation rates.

The Group's obligations to pension schemes and policyholders vary as interest rates fluctuate as they are discounted based on the level of long-term interest rates. As a result, a reduction in long-term interest rates or negative interest rates increases the amount of the Group's liabilities. The Group attempts to match a significant proportion of its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the underlying liabilities. However, to the extent that such asset-to-liability matching is not practicable or fully achieved, there may be differences in the impact of changes in interest rates on assets and liabilities, which could have a material adverse effect on the Group's business, results, financial condition and prospects. Changes to inflation rates could also have an adverse impact on the Group, primarily as a result of increased pension scheme obligations.

The Group's with-profit funds are exposed to additional interest rate risk as the funds' guaranteed liabilities are valued based on market interest rates, with the funds' investments including fixed-interest investments and derivatives. As a result, declines in interest rates or negative interest rates could materially decrease the amount of distributions from the Group's with-profit funds which are available to policyholders and this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Life Companies are required to hold a risk margin under Solvency II. This risk margin will increase significantly if there is a material fall in long term interest rates. The Life Companies expect to be able to offset the impact of such a fall through applying to the PRA for a recalculation of the transitional measures on technical provisions. If the PRA does not approve such a recalculation, then the impact of such a fall would be greater.

On 23 July 2014, the Group entered into a revolving credit agreement (the "**Revolving Credit Agreement**"), as amended and restated on 21 March 2016. Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate amount equal to £900 million, which bears a floating rate of interest.

On 28 September 2016, the Group entered into a £250 million Abbey Life bridge facility agreement to finance part of the acquisition of **Abbey Life** (the "**Acquisition**"). This facility was converted into a £250 million tranche of the Revolving Credit Agreement on 20 December 2016. Increases in interest rates, to the extent not hedged, may lead to material increases in the Group's interest payments, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Due to the long-term nature of the liabilities of the Life Companies, sustained declines in long-term interest rates and negative interest rates may also subject the Group to reinvestment risks and increased hedging costs. Declines in credit spreads may also result in lower spread income. During periods of declining interest rates, issuers may prepay or redeem debt securities that the Group owns, which could force the Group to reinvest the proceeds at materially lower rates of return. This could, in the absence of other countervailing changes, cause a

material increase in the net loss position of the Group's investment portfolio, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Defaults in relation to investments and financial investments and by trading counterparties may adversely affect the Group

The Group is exposed to counterparty risk. Such counterparty risk may be manifested in deterioration in the actual or perceived creditworthiness of, or default by, issuers of the securities or other financial instruments forming part of the Group's investments. For instance, assets held to meet obligations to policyholders include corporate bonds and other debt securities. Counterparty risk may also include the risk of trading counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet obligations assumed under reinsurance arrangements, or derivative counterparties or stock-borrowers failing to pay as required. Counterparty defaults could have a material adverse effect on the Group's business, results, financial condition and prospects. An increase in credit spreads, particularly if it is accompanied by a higher level of issuer defaults, could have a material adverse impact on the Group's financial condition although some of this risk is shared with policyholders.

Furthermore, securities which have been loaned could be redelivered and it may then prove difficult or impossible to return collateral held against those securities in the event that this collateral had been reinvested in assets which have become illiquid.

Additionally, the underlying cash collateral supporting a counterparty's securities-redelivery obligation could be invested by collateral managers in a manner that breaches the terms of their investment mandates, causing the Group to incur losses on its securities-lending transactions, with potential material adverse effects on the Group's business, results, financial condition and prospects.

Risks Relating to the Acquisition and the AXA Transaction

The Group may fail to realise the expected benefits of the Acquisition and/or the AXA Transaction

The Group, following the recent completion of the Acquisition and the acquisition of AXA Wealth Limited's pension and protection businesses on 1 November 2016 (the "**AXA Transaction**"), may not realise the expected benefits and synergies from the Acquisition and/or the AXA Transaction or may encounter difficulties or higher costs in achieving those expected benefits and synergies. For example, due diligence investigations prior to the Acquisition and/or the AXA Transaction may not have identified material liabilities or risks within Abbey Life and/or the SunLife Embassy Business or adequately assess the value of Abbey Life and/or the SunLife Embassy Business. Realisation of the expected benefits of the Acquisition and the AXA Transaction depends largely on integrating the risk, financial, technological and management standards, processes, procedures and controls of Abbey Life and the SunLife Embassy Business with those of the Group's operations and there may be continuing challenges in managing the increased scope and complexity of the Group's operations. In addition, some actions may require consent or non-objection from the PRA, or another regulator, and such consent or non-objection (as applicable) may not be forthcoming or be subject to conditions which limit the expected benefits of the Acquisition and/or the AXA Transaction. Changes to the structure of the Group as a result of the Acquisition and/or the AXA Transaction may also result in a reduction in brought forward tax losses.

The Group also faces the continuing difficulties of integrating the business of Abbey Life and the SunLife Embassy Business, including incorporating Abbey Life's and the SunLife Embassy Business' management, employees, structures, systems and other operational functions into the operations of the Group, particularly where such businesses differ from the Group's other businesses. There is also no assurance that the long term integration of Abbey Life and/or the SunLife Embassy Business as part of the Group will be successful. The expected cost synergies from the Acquisition are also based upon assumptions about the Group's ability to integrate Abbey Life in a timely fashion and within certain cost parameters. The Group's ability to achieve the

planned cost synergies is dependent upon a significant number of factors, some of which may be beyond its control. If one or more of the underlying assumptions regarding the integration of Abbey Life and/or the SunLife Embassy Business prove to be incorrect, it may not be possible to achieve the expected cost synergies.

Any failure to realise the increased earnings, cost savings and synergies for the Group could have a material adverse effect on the Group's business, results, financial condition and prospects.

PGH has limited management resources and thus may become distracted or overstretched by the process of integrating and managing the Group

The Acquisition and the AXA Transaction were implemented within a short timeframe of each other. The Group will be required to continue to devote significant management attention and resources to integrating the business practices and operations of Abbey Life alongside the continued integration of the SunLife Embassy Business. While the Group has carried out significant planning in respect of these acquisitions and the integration process is underway, there is a risk that the challenges associated with integrating and managing the Group (including in respect of systems and controls) may result in management distraction or overstretch and the deferral of certain planned management actions. Consequently, the Group's businesses may not perform in line with management or investor expectations, which could have an adverse effect on the Group's business, results, financial condition and prospects.

Regulatory Risks

The Group operates in a regulated sector and its operations and practices may be affected by changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry wide changes in approach to law and regulation

The Group operates in the life and pensions sector, which is the subject of continued legal and regulatory change. The legal and regulatory environment in which the Group operates may change, meaning that the Group has to change its practices. Such change can come in the form of a change in law or regulation. For example, Solvency II (which became effective on 1 January 2016) increased the capital requirements on the Life Companies. Alternatively, a relevant regulator may reinterpret or place new emphasis on an existing piece of law or legislation. A good example of this is the thematic review on long term customers.

In the United Kingdom, a number of significant changes to law and regulation are currently being proposed or have relatively recently been implemented. In the pensions sector, the effect of certain new laws and regulations has not yet been fully realised, in part because the new laws and regulations may change customer behaviours. Of particular note are the series of legal, tax and regulatory current and forthcoming changes that are described as "pensions freedoms". The primary business of the Group includes the management of customers' pension policies and the provision of annuities. Historically, the UK's tax regime provided favourable tax treatment for individuals who saved using their pension policies, but then limited the manner in which that tax treatment could be preserved except through the purchase of an annuity. In 2014, the government set in train reforms relating to how people are able to access their pension savings, part of the so called "pension freedoms". On 1 April 2015, wide-ranging reforms of UK pensions legislation came into effect, including the cessation of the requirement for pension benefits to be taken in the form of an annuity and a requirement for customers to receive guidance on their options at the time of retirement. It is expected that there may be a reduction in customer retention in particular when a customer with a pension policy decides to buy an annuity. In addition, the UK government has announced a "pensions dashboard" proposal, which is expected to apply from 2019. This will allow customers to view all of their pension policies (across multiple providers). The Group is monitoring and projecting the impact of these reforms on its business, but the true impact will only become clear once relevant laws and regulations are implemented and, following that, a stable pattern of customer experience has emerged.

In addition to the already changing regulatory landscape, it is anticipated that Brexit may result in changes to the United Kingdom and European Union's regulatory system. While the business of the Group primarily is situated in the United Kingdom, some of the changes to the regulatory system may affect the business of the Group. Brexit negotiations are likely to commence to determine the future terms of the United Kingdom's relationship with the European Union. The effects of Brexit will depend on any agreements (or lack thereof) the United Kingdom makes to retain access to EU markets either during a transitional period or more permanently. For example, the Group may have to take mitigating action to allow for the continued operation of its Irish branch in the same manner as it carried out its business prior to Brexit. Similarly, the Life Companies make use of their passporting rights to service a small number of existing customers based in member states of the European Union. These rights may be limited or cancelled in the future. Changes may also affect the regulation of UK business if the United Kingdom and European Union regulatory systems diverge. As a result, it is possible that Brexit may require the Group to take mitigating action, or to change parts of its business.

While the Group's main regulators are the PRA and the FCA in the United Kingdom, it has operations outside the United Kingdom and the laws and regulations of a number of other jurisdictions also apply to the Group. These jurisdictions include Ireland, Hong Kong, Jersey, the Cayman Islands, the United States and Bermuda.

As a result, existing law and regulation (where the economic or other impact has not yet been fully realised), changes in law and regulation, changes in interpretation or emphasis in respect to existing law and regulation and/or industry wide changes in approach to regulation, may individually or together have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is subject to potential intervention by the FCA, the PRA and other regulators on industry-wide issues and to other specific investigations, reports and reviews

Members of the Group are regulated by the PRA and FCA. The PRA and FCA each has significant statutory powers in respect of the regulation of the Life Companies. While regulating the Life Companies, the PRA and FCA may make regulatory interventions using such powers, including through investigations, requests for data and analysis, interviews or reviews (including skilled persons reports under section 166 of the FSMA). In recent years, the PRA and FCA have each adopted an approach of intensive supervision in respect of the life and pensions sector. This is expected to continue. As a result, the directors of PGH believe the incidence of regulatory interventions is likely to increase or remain the same.

The PRA and FCA may also carry out formal "thematic reviews" which are sector wide reviews or other informal sector wide inquiries in respect of a theme or common issue or a particular type of product. While these are not expressly targeted at only the Group, the Group has participated and expects to continue to participate in such reviews from time to time.

Regulatory intervention, including of the sort described above, may lead to the FCA and/or PRA (and other relevant regulators or bodies) requiring:

- (i) specific remediation in respect of historic practices (which could include compensating customers, fines or other financial penalties);
- (ii) changes to the Group's practices;
- (iii) public censure; and/or
- (iv) the loss, or restriction, of regulatory permissions necessary to carry on the Group's business in the same manner as before, as well as changes to the Group's existing practices.

Certain of the Group's companies, including the Life Companies, are subject to regulation in foreign jurisdictions resulting in potential policyholder claims and regulatory intervention in those jurisdictions.

Such regulatory interventions could have a material adverse effect on the Group's business, results, financial condition and prospects, as well as damaging the Group's reputation.

Individual and groups of customers may refer their disputes with the Group to the Financial Ombudsman Service ("FOS")

Disputes relating to the sale of financial services products by the Group in the UK are subject to the FOS regime. The FOS exists to resolve disputes involving individual or small business policyholder disputes. While decisions are not currently made public, applicants may pursue customary legal remedies if decisions of the FOS are considered unacceptable. In addition to the FOS, certain of the Life Companies are subject to foreign regulation and may fall under the jurisdiction of a non-UK body similar to the FOS.

From time to time, decisions taken by the FOS (or its UK equivalent) may, if extended to a particular class or grouping of policyholders, have a material adverse effect on the Group's business, results, financial condition and prospects.

Regulatory capital and other requirements may change

Firms that are authorised to underwrite insurance in the UK, like the Life Companies, are required to maintain reserves of assets to match their best estimate of their liabilities under the insurance policies they have written (which includes annuities). The excess of assets over liabilities is called "**Own Funds**". The Life Companies are also required to maintain sufficient Own Funds to meet their SCR under the Solvency II regime. In addition, the Group has agreed with the PRA (and may agree in the future) to maintain additional Own Funds to meet capital management policies. In the event of a breach in capital management policies, cash or assets within certain Group Companies cannot be used for discretionary purposes (including the payment of dividends or the prepayment of debt) without PRA non-objection.

Since 1 January 2016, the Life Companies have been required to carry out regulatory capital calculations under Solvency II. The supervision of the Life Companies regulatory capital requirements is carried out by the PRA. Under existing regulations, stricter regulatory capital requirements may apply to the Group. In addition, existing regulations may be amended in the future or new regulations may be implemented. In particular, the regulatory capital and/or reserving position applicable to the Life Companies are modified by three matters which are within the PRA's discretion and which the Life Companies could lose the benefit of: (i) a Solvency II Internal Model; (ii) the matching adjustment; and (iii) the application of transitional provisions, each as described below.

- (i) *Solvency II Internal Model*: Solvency II requires that a separate "solo" regulatory capital requirement is determined for each Life Company. In addition, Solvency II applies a group regulatory capital requirement, which takes into account the regulatory capital requirements of the Life Companies and also certain features, strengths and weaknesses of the wider Group. The PRA has approved a Solvency II Internal Model in respect of the Group, which ensures that the standard solo and group regulatory capital requirements reflect the features of the Group and the Life Companies. The Group adopted an approved full internal model at the implementation of Solvency II but currently applies a partial internal model whereby the business recently acquired in the Acquisition is measured using the standard formula. The Group plans to make an application to extend its internal model to include Abbey Life, which will be subject to the approval of the PRA. More generally, while this Solvency II Internal Model has been approved by the PRA and the Group intends to work with the PRA to further develop the Solvency II Internal Model in the future, it is possible the Group will be unable to agree a major change to the Solvency II Internal Model with the PRA in the future, which could mean the standard formula regulatory capital requirements could apply and/or an additional capital requirement to reflect the risk profile of the Group might be applied by the PRA. This could significantly increase the amount of regulatory capital the Life Companies have to hold. Alternatively, the Group may be required in the future to adopt a partial or more onerous internal model which may also increase the solo and/or group regulatory capital requirements.

- (ii) *Matching Adjustments*: The Life Companies apply a “matching adjustment” to certain long term liabilities that are closely matched by an assigned matching adjustment portfolio of assets of equivalent nature, term and currency. This also partially mitigates the sensitivity of the balance sheet to changes in the market prices of assets held in the assigned matching adjustment portfolio, in funds where the matching adjustment is approved. The matching adjustment is subject to strict criteria and ongoing compliance in relation to maintenance of close matching, asset and liability characteristics and segregation of the management of the assigned matching adjustment portfolios. The Life Companies have permission from the PRA to apply the matching adjustment in respect of the agreed portfolio of liabilities, thereby reducing the reserves and capital requirements associated with such liabilities and assigned portfolio of assets. This may change in the future.
- (iii) *Transitional Provisions*: Solvency II increased the regulatory capital requirements and reserving requirements on the Life Companies. However, some of these increases have been partly mitigated by the introduction of transitional provisions, which are designed to ensure a smooth transition from Solvency I (the old regime) to Solvency II (the new regime). The benefit of the transitional provisions will be phased out over a 16 year period. There remains some uncertainty over the pace of run-off within that period, in particular in circumstances where the transitional provisions are required to be recalculated due to a future material change in the risk profile of the Life Companies. Removal of the transitional provisions could increase the relevant Life Company’s and the Group’s regulatory capital and reserving requirement.

The Group will seek to agree with the PRA the application of these three elements to Abbey Life’s business. If they are not agreed, then some of the anticipated benefits of the Acquisition may not be realised.

The directors of PGH are not aware of any current matters or circumstances that might reasonably be expected to result in the Group losing the benefit of the discretionary matters set out above.

An increase in the regulatory capital and/or reserving requirements of an entity or a restriction on the use of capital within the Group, or a reduction in the value of the Own Funds that can be used to meet such requirements, may reduce the profits of the Group or trap cash or assets in certain Group Companies. There are also circumstances where the Group may choose to move cash or assets from another part of the Group to meet an increased regulatory capital requirement. Consequently, a change in the regulatory capital and/or reserving requirements applied to certain Group Companies, and in particular the loss of certain discretionary reductions in those requirements in respect of the Life Companies, could have a material adverse effect on the Group’s business, results, financial condition and prospects. See also the risk factor entitled “*Changes in taxation law may adversely impact the Group*”.

The expiry of the “other methods” waiver may result in a reduction in the Own Funds available to match the group regulatory capital requirement

The PRA has granted the Group an “other methods” waiver which allows for an amendment to the standard methodology for Solvency II group supervision. This means the Solvency II group supervision regime will only apply below the EEA parent level (i.e. to Phoenix Life Holdings Limited (“**PLHL**”) and its subsidiaries) and not at the level of the ultimate parent (i.e. including PGH and all of its subsidiaries). This is important because PGH currently has obligations in connection with certain debt instruments which would, if the calculation was to be applied at the level of PGH (and so include PGH and all of its subsidiaries), reduce the Solvency II group Own Funds available to meet the group regulatory capital requirement. In other words, the Own Funds deemed to be held by the Solvency II group would reduce as a result of the inclusion of PGH within the group regulatory capital calculation.

The “other methods” waiver is due to expire on 30 June 2017. The directors of PGH are not aware of any matters or circumstances which might reasonably be expected to result in the Group losing the benefit of the “other methods” waiver prior to its expiry on 30 June 2017. Based on the current information available to the

directors of PGH, the inclusion of PGH and all of its subsidiaries within the group regulatory capital calculation would not result in a breach of the group regulatory capital requirement.

In addition, even under the existing holding PGH structure, if PGH is treated as being resident in the UK for corporation tax purposes, there is a risk that PGH would need to be included within the group regulatory capital calculation. PGH is not incorporated in the UK, and therefore for it to be treated as resident in the UK for UK tax purposes requires its central management and control to be exercised in the UK. The directors of PGH operate governance of PGH in a manner intended to ensure that PGH's central management and control is not exercised in the UK.

The thematic review on the fair treatment of long standing customers in the life insurance sector may affect the Group's business

The Life Companies charge customers "exit charges", when switching their pension policies to another provider or realising their pension benefits prior to their specified retirement date and "paid up charges". On 3 March 2016, the FCA published a thematic review report on the fair treatment of long standing customers in the life insurance sector. The FCA found a "mixed picture" where most firms reviewed demonstrated good practice in some areas but poor practice in others. A small number of firms were found to be delivering poor customer outcomes across a majority of the areas assessed. In particular, the FCA had concerns about:

- (i) the lack of board and senior management oversight of closed book customers and outcomes;
- (ii) whether customers were aware of the effect of exit and paid-up charges on their policies and the quality of information provision on the economic effect of exit and paid-up charges;
- (iii) firms' behaviour, policies and attitude towards applying exit charges;
- (iv) the impact of exit and paid-up charges on customers shopping around and customer choice;
- (v) the absence, within most firms, of a review of products (and related charges) to assess whether customers were getting fair outcomes; and
- (vi) where there are product reviews, over-reliance or overemphasis on compliance with contractual terms and conditions even where actual customer detriment is identified.

On 9 December 2016, the FCA published its finalised guidance on the fair treatment of long standing customers in the life insurance sector. The guidance sets out the FCA's expectations on the actions life insurance firms should take to treat their closed-book customers fairly. The guidance covers four high-level customer outcomes:

- The firm's strategy and governance framework results in the fair treatment of closed-book customers.
- The firm's closed-book customers receive clear and timely communications about policy features at regular intervals and at key points in the product lifecycle to enable them to make informed decisions.
- The firm gives adequate consideration to, and takes proper account of, fund performance and policy values in a way that ensures it treats its closed-book customers fairly and proportionately.
- The firm's closed-book customers are able to move from products that are no longer meeting their needs in a fair and reasonable manner.

The FCA expects firms to review their business practices within three months of publication of the finalised guidance and, if necessary, to change them in the light of the guidance. Given that the Group's operations apply exit charges, this guidance will apply to the Group. In particular, the practices of ALAC may have to change. Whilst the Group has estimated the costs of implementing such changes on ALAC, such costs may be material and may exceed the Group's current estimate of such costs.

A number of the firms which are the subject of the review are now the subject of additional investigations, including ALAC. ALAC is one of six firms in respect of which the FCA is exploring whether remedial and/or disciplinary action is necessary or appropriate in respect of exit or paid-up charges being applied. Additionally, ALAC is one of two firms being investigated for potential contravention of regulatory requirements across a number of other areas assessed in the thematic review. This investigation into wider contraventions of regulatory requirements will also focus on behaviour from December 2008. The FCA has confirmed that these investigations have been commenced in order to enable the FCA to establish the reasons for the practices within firms, whether customers have suffered detriment as a result and how widespread any practices are within the six firms. No conclusion has been reached as to whether there have been any breaches of regulatory requirements. The commencement of investigations should therefore not be taken to indicate that they will necessarily result in disciplinary action against the firms subject to investigations, nor does it indicate that a penalty will inevitably be imposed or that redress will be payable. However, no assurance can be given that such penalties and redress will not be imposed or payable.

The FCA has not yet notified ALAC of its final conclusions regarding the effect of the review and any connected follow-up work in respect of ALAC. The directors of PGH believe such final conclusions may be reached in 2017, although completion of any follow-up work (which may include any necessary customer remediation) is likely to take longer. It is possible that, as a result of the outcome of the review, ALAC may incur costs as a result of financial penalties (which may be incurred shortly after the FCA publishes its final conclusions) and/or providing compensation or remediation to customers (which may be incurred over a longer period depending on the nature of the FCA's final conclusions). Deutsche Bank has provided PLHL with an indemnity, with a duration of six years, in respect of such exposures. The maximum amount that can be claimed under the indemnity (when aggregated with claims under the indemnity in respect of the thematic review on annuity sales practices, as discussed further below) is £175 million and it applies to all regulatory fines and 60 to 90 per cent. of the costs of customer remediation and 80 per cent. of certain professional fees and redress programme costs. While this indemnity may mitigate ALAC's costs (and accordingly, the Group's costs), some costs will fall outside the scope of the indemnity and/or may exceed the maximum amount PLHL can claim under the indemnity and/or become irrecoverable should Deutsche Bank become subject to insolvency or any other analogous events, meaning that ALAC (and accordingly, the Group) will ultimately retain liability for them. In addition, ALAC may also be the subject of private censure, public censure, adverse publicity and/or resulting reputational damage, which may in turn damage the Group, the effect of which will not be mitigated by any indemnity.

More recently, in May 2016, the FCA launched a consultation on proposals to cap early exit pension charges, both for existing contracts that contain an early exit charge (where it is proposed the cap would be 1 per cent. of policy value) and also new contracts (where no exit charge would be permitted). On 15 November 2016, the FCA announced that, from 31 March 2017, early exit charges will be capped at 1 per cent. of the value of existing contract-based personal pensions. In addition a cap on occupational schemes is being introduced later in the year (as this cap is being introduced by the DWP under a separate piece of work and is expected to come in from October 2017, although the DWP are still consulting on the draft Regulations). The two changes outlined above will be applied on an industry-wide basis and Phoenix will be introducing the changes by 31 March 2017 for all pension customers. Early exit charges that are currently set at less than 1 per cent. may not be increased.

Any of the above could have a material adverse effect on the Group's, business, results, financial condition and prospects.

The thematic review on annuity sales practices may affect the Group's business

The Life Companies sell annuities. Currently, across the sector, a large number of customers who have pension policies with the Group buy an annuity from the firm that holds their pension policies. In other words, customers with pension policies often choose to use their savings to buy an annuity issued by the Group.

The FCA has conducted a number of reviews and studies in respect of the issue of annuity sales. On 11 December 2014, the FCA published the findings of its thematic review into annuity sales practices. In relation to the annuity sales practices report, the FCA concluded that firms need to improve the way in which they communicate with their customers, particularly during the period when customers are coming up to retirement and making their choices as to their retirement income provision. In particular, the FCA found that:

- (i) consumers did not shop around and/or switch providers when they chose to invest their pension pot in an annuity;
- (ii) firms' sales practices curtailed shopping around and product switching;
- (iii) the code of conduct on retirement choices, which is produced by the Association of British Insurers ("ABI"), was not being applied consistently (or in some cases, at all); and
- (iv) some consumers were buying the wrong type of annuity (e.g., not buying an enhanced annuity when they were eligible for one).

As a result of the above, the FCA concluded that some consumers within the sector might be suffering detriment because they were not receiving potentially higher income.

The FCA asked certain relevant firms to carry out further work and gather more evidence to allow the FCA to reach conclusions on the basis of statistically significant information (rather than anecdotal or small sampling), focusing on whether customers have shopped around and purchased a standard, rather than an enhanced, annuity.

On 14 October 2016, the FCA published a further report on its thematic review of non-advised annuity sales practices (TR16/7). The review found no evidence of industry-wide or systemic failure to provide customers with sufficient information about enhanced annuities through non-advised sales resulting in actual loss. However, the FCA:

- (A) identified concerns in a small number of firms relating to significant communications that took place orally, usually on the telephone. The FCA has asked those firms to review their practices since 2008, appoint skilled persons to oversee the review, and provide redress where necessary. The FCA's Enforcement Division is considering whether any further action is needed; and
- (B) identified other areas of possible concern, including in relation to the recording and maintenance of records of calls.

The FCA encouraged all firms to consider its feedback and take appropriate action to address the points raised, to ensure their communications and sales process provide customers with the information they need when they need it. The FCA has also encouraged any customers who feel they were provided with insufficient information about enhanced annuities at the time they chose their annuity to contact their annuity provider. The Group has reviewed the detail of the FCA feedback and continues to make improvements to customer service in line with Group strategy, in particular around transparency of information.

To provide it with confidence across the whole sector, the FCA has asked a small number of the largest firms not part of the original sample to carry out an additional review (overseen by the FCA) to ensure that there are no concerns about their non-advised annuity sales practices.

Following this review the FCA may consider that firms have not met the relevant regulatory requirements and may investigate their conduct. The review may result in a change in law, regulation and/or regulatory emphasis, changes in the Group's practices and/or prompt future regulatory interventions. The FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose financial penalties or compulsory customer remediation (depending on circumstances and its findings). It is not currently possible to assess what further actions the FCA may require affected firms to take or the effect such actions, if required, may have on the business of affected firms.

ALAC has been performing an additional review in relation to annuities sales and has been working closely with the FCA. The results of the review being undertaken by ALAC are expected to emerge during 2017. Where breaches are identified, it is possible that ALAC may incur costs as a result of financial penalties (which will be incurred shortly after the FCA publishes its final conclusions) and/or providing compensation or remediation to customers (which may be incurred over a longer period depending on the nature of the FCA's final conclusions). Deutsche Bank has provided PLHL with an indemnity, with a duration of eight years, in respect of such exposures to the extent they arise and apply to ALAC. The maximum amount that can be claimed under the indemnity (when aggregated with claims under the indemnity in respect of the thematic review on the fair treatment of long standing customers, as discussed further above) is £175 million and it applies to all regulatory fines and 80 to 90 per cent. of the costs of customer remediation. While this indemnity may mitigate ALAC's costs (and accordingly, the Group's costs), some costs will fall outside the scope of the indemnity and/or may exceed the maximum amount PLHL can claim under the indemnity and/or become irrecoverable should Deutsche Bank become subject to insolvency or any other analogous events, meaning that ALAC (and accordingly, the Group) will ultimately retain liability for them. In addition, ALAC may also be the subject of private censure, public censure, adverse publicity and/or resulting reputational damage, which may in turn impact the Group, the effect of which will not be mitigated by any indemnity.

Any or all of these may affect the business and so could have a material adverse effect on the Group's business, results, financial condition and prospects.

Internal Operations and Management

Changes in accounting standards and assumptions may lead to increases in the level of provisioning or additional provisions being made in respect of a range of actual, contingent and/or potential liabilities including, but not limited to, tax, and changes in the determination of fair value could have a material adverse effect on the estimated fair value amounts of financial instruments

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Where the Group has a present legal or constructive obligation, but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability. Provisions held by the Group, including those relating to tax, may be subject to estimates and may prove inadequate or inaccurate resulting in a material liability. Liabilities may also arise where no provision has been made. In particular, there is a time lag between acquisitions, disposals and other corporate transactions undertaken by the Group, and the review of their tax treatment by HM Revenue & Customs ("HMRC"). While significant transactions are discussed with HMRC on an ongoing basis, in some cases formal confirmation of HMRC's position cannot be obtained until the relevant tax returns are submitted, which can lead to uncertainty. If a liability, including tax, were to arise in respect of which there is inadequate or no provision, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The majority of the Group's financial assets and liabilities are measured on a fair value basis. Determination of fair value is made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cashflows and the credit

standing of the issuer or counterparty. The use of different methodologies and assumptions could have a material adverse effect on the estimated fair value amounts of financial instruments, which could affect the Group's business, results, financial condition and prospects.

The Holding Companies are dependent upon distributions from their subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not in the longer term have sufficient capital or liquid assets to make sufficient distributions to the Holding Companies, or to meet its payment obligations, or it may suffer a loss in value

The Group's insurance operations are conducted through subsidiaries. The Holding Companies ultimately rely on distributions and other payments from their subsidiaries, including in particular the Life Companies, to meet the funding requirements of Group Companies, as the Holding Companies do not generate a cash surplus from their operations and other activities. The Holding Companies' principal sources of funds are dividends from subsidiaries, inter-company loans from subsidiaries, repayment of inter-company loans that have been made by the Holding Companies to subsidiaries and any amounts that may be raised through the issuance of equity or debt instruments or bank financing. As a result, deterioration in the liquidity and solvency position or distributable reserves of the Life Companies or other members of the Group could, in addition to its impact on the individual Life Companies or the Insurance Group, have in the longer term an adverse impact on the Group's funding or liquidity, which could have a material adverse effect on the Group's financial condition and prospects.

PGH has ongoing principal repayment and interest payment obligations in respect of the £300,000,000 5.75 per cent. Senior Unsecured Bonds due 2021 (the "**2021 Bonds**"), the £428,113,000 6.625 per cent. Subordinated Notes due 2025 (the "**2025 Notes**"), the £300,000,000 4.125 per cent. Tier 3 Notes due 2022 (the "**2022 Notes**"), any Notes issued from time to time pursuant to the Programme and ongoing principal repayment and interest payment obligations in respect of the Revolving Credit Agreement which obligations are expected to be funded by the release of capital, profits and liquidity from the Group's operating units. The Holding Companies also have ongoing commitments to make contributions to the Group's pension schemes in accordance with the agreed contribution schedules and to meet their general operating expenses. The availability and amounts of cashflows from subsidiaries, in particular the Life Companies, may be impacted during periods of severe market turbulence by the need to maintain appropriate levels of regulatory capital in the Group. Although the Holding Companies maintain cash buffers to reduce the reliance on emerging cashflows in any particular year, in the event that cashflows from the Group's subsidiaries are limited as a consequence of periods of severe market turbulence, this may in the longer term impair the Group's ability to service these obligations, which would have a material adverse effect on the Group's business, results, financial condition and prospects and the relevant Issuer's ability to make payment on the Notes.

Certain members of the Group are restricted by applicable regulatory and other requirements in their ability to pay dividends. Dividends may not be paid according to the Group's dividend policy and the Group's dividend policy may change in the future

Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things; applicable regulatory, insurance, foreign exchange and tax laws, rules and regulations that limit the payment of dividends or require approval for their payment; PGH's and the Group's financial position and the availability of cash and distributable reserves within the Group; the way distributable reserves are calculated; there being sufficient excess above certain regulatory capital requirements; Board approved capital management policies agreed with the PRA; working capital requirements; asset and cash liquidity within the Group; gearing levels within the Group; the covenants within the Group's finance and senior debt arrangements; the potential impact on the maintenance of the Group's investment grade rating; finance costs; general economic conditions; and other factors the Board deem significant from time to time. Accordingly, unforeseen adverse

circumstances may restrict the ability of PGH to adhere to its dividend policy and there can be no assurance that PGH will pay dividends in the future. It is also possible that the dividend policy may change in the future, for example, as a consequence of further acquisitions.

In certain circumstances, such as if a member of the Group was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection were identified, the PRA could intervene, for example, in the interests of policyholder security by imposing restrictions on the fungibility or movement of capital and/or cash between members of the Group, including the payment of dividends by PGH or other members of the Group. Moreover, PGH may elect to reduce or forgo dividend payments as a means of maintaining or enhancing its capital and/or cash position.

In addition, PGH has agreed that, as part of its “other methods” waiver, it will seek the PRA’s non-objection before declaring a dividend.

Changes in actuarial assumptions driven by experience and estimates may lead to changes in the level of reserving and regulatory capital required to be maintained

The Group has liabilities under annuities and other policies that are sensitive to future mortality and longevity rates. In particular, annuities are subject to the risk that annuity holders live longer, or longevity rates increase, compared to what was projected at the time their policies were issued, with the result that the issuing Life Company must continue paying out to the annuitants for longer than anticipated and, therefore, longer than was reflected in the price of the annuity. There may also be increases in the cost of meeting guarantees on policies with a right to convert their policy value into an annuity at a fixed rate and the contributions required to be paid under the Group’s defined benefit pension schemes may also increase. Conversely, increased mortality, or higher mortality rates, may increase the number of death claims on term-insurance products.

The Life Companies monitor their actual liability experience against the actuarial assumptions they use and apply the outcome of such monitoring to refine their long-term assumptions. Based on these assumptions, the Life Companies make decisions aimed at ensuring an appropriate build-up of assets and liabilities relative to one another. These decisions include the allocation of investments among fixed-income, equity, property and other asset classes, the setting of policyholder bonus rates (some of which are guaranteed) and the setting of surrender terms. However, because of the underlying risks inherent in actuarial assumptions, it is not possible to determine precisely the amounts that will ultimately be paid to meet policyholder liabilities. Actual liabilities may vary from estimates, particularly when those liabilities do not occur until well into the future. The Life Companies evaluate their liabilities allowing for changes in the assumptions used to establish their liabilities, as well as for the actual claims experience. Changes in assumptions may lead to changes in the level of capital that is required to be maintained. In the event that the Group’s regulatory capital requirements are significantly increased, the amount of cash or other assets available for other business purposes or to meet the Group’s financing commitments, may decline.

To the extent that actual mortality, longevity and morbidity rates or other insurance risk experience are less favourable than the underlying assumptions about such rates or experience and it is necessary to increase reserves for policyholder liabilities as a consequence, the amount of additional capital required (and therefore the amount of capital that can be released from the Life Companies in order to service and pay down debt or to finance distributions to their shareholders) and the ability of the Group to manage the Life Companies in an efficient manner may all be materially adversely affected. In particular, there is considerable uncertainty over the rate at which mortality rates will continue to improve in the future. Over time, the Group could incur significant losses if mortality rates improve faster than has been assumed.

In addition, the Group makes assumptions about the rates at which policyholders will surrender or otherwise terminate their policies prior to their maturity date. For products with guarantees at maturity, the Group is exposed to the risk that fewer policyholders will terminate their policies prior to their maturity date than

assumed, since this will increase the volume of guarantees that are required to be met at maturity. Conversely, for policies with no guarantees, the anticipated future profits obtained from those policies may be curtailed if more policyholders terminate their policies prior to their maturity date than assumed. Surrender rates may also be affected by changes in law and/or regulation.

If the assumptions underlying calculations of reserves are shown to be incorrect (e.g., if policyholders do not die at the rate assumed in actuarial calculations or if the volume of guarantees that are required to be met at maturity is greater than assumed), the Group may have to increase the amount of its reserves or the amount of risk reinsured. The Group also has obligations towards pensions schemes that are sensitive to longevity experience rates. If members live longer than expected, additional capital may need to be held to cover increased pension scheme obligations. Any of these factors could have a material adverse impact on the Group's business, results, financial condition and prospects.

The Group needs to reduce the expenses of managing long-term business in line with the run-off profile of its funds. The inability to adjust these costs could have an adverse effect on the Group

The Life Companies, by their nature, are in long-term run-off meaning that their policy portfolios should become smaller over time. In order to protect with-profit policyholder benefits and shareholder returns, it will be necessary to reduce the costs of managing the Group's long-term business at least in line with the run-off profile, which the Group partly does through the use of outsourcing arrangements. The Group is exposed to the risk that it may be unable to reduce costs proportionately or to make changes to achieve an appropriate new balance of fixed and variable costs. This exposure could arise, for example, from deficient management, contractual restrictions, significant changes in the regulatory environment, material sector-specific inflationary pressures or an unexpected increase in policy lapses. The current expense assumptions for policy charges are based on anticipated governance costs and the run-off profile of the Group's funds. An inability to adjust these costs could therefore have a material adverse effect on the Group's business, results, prospects and financial condition.

The Group's risk management policies and procedures may not be effective and may leave the Group exposed to unidentified or unexpected risks

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. As a result, the Group faces the risk of losses, including losses resulting from human error, the payment of incorrect amounts to policyholders due to incorrect administration, market movements and fraud. The Group's risk management methods rely on a combination of technical and human controls and supervision that can be subject to error and failure. Some of the Group's methods of managing risk are based on internally developed controls and observed historical market behaviour, and also involve reliance on industry standard practices. These methods may not adequately prevent future losses, particularly if such losses relate to extreme or prolonged market movements, which may be significantly greater than the historical measures indicate. These methods also may not adequately prevent losses due to technical errors if the Group's testing and quality control practices are not effective in preventing technical software or hardware failures.

Ineffective risk management policies and procedures may have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is vulnerable to adverse market perception arising as a result of reputational damage, especially as it operates in a highly regulated industry

The Group must display a high level of integrity and have the trust and the confidence of its customers and their advisers. Any mismanagement, fraud or failure to satisfy fiduciary responsibilities, or any negative publicity resulting from the Group's activities, the activities of a third party to whom the Group has licensed its brands or has outsourced any services, or any accusation by a third party in relation to the Group's activities (in each

case, whether well-founded or not) that is associated with the Group or the industry generally (such as those that arose in respect of mortgage endowments, split-capital investment trusts or payment protection insurance), could have a material adverse effect on the Group's results, financial condition and prospects, including:

- (i) reducing public confidence in the Group;
- (ii) decreasing its ability to retain current policyholders;
- (iii) adversely affecting the willingness of insurance companies to sell closed book companies or portfolios to the Group;
- (iv) increasing the likelihood that the FCA and PRA or non-UK regulators will not approve acquisitions or insurance business transfers necessary to effect intragroup consolidations of closed book companies or portfolios or will subject the Group to closer scrutiny than would otherwise be the case;
- (v) increasing costs of borrowing, including in debt capital markets transactions;
- (vi) adversely affecting the Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance; and
- (vii) decreasing customers' willingness to invest in or acquire particular products.

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years. It is not always possible to deter or prevent employee misconduct and the precautions the Group takes to prevent and detect this activity may not be effective in all cases. The Group therefore runs the risk that employee misconduct could occur, with possible adverse effects on the Group as set out above.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

Increases in liabilities relating to product guarantees may adversely affect the Group

In the 1970s and 1980s, when interest rates were higher than they currently are or have been in recent years, UK life insurance companies (including the Life Companies within the Group) sold pension contracts that contained certain guarantees or options, including guaranteed annuity options ("GAOs") that allowed the policyholder to elect to take the lump sum payable upon the maturity of the pension and apply the funds to purchase an annuity at a minimum guaranteed rate. During the last decade, average interest and inflation rates have been lower and life expectancy has increased more rapidly than originally anticipated. As a result, the Group may have to meet the cost of the mismatch between the performance of the underlying assets and the guaranteed annuity which it is obliged to provide to relevant policyholders.

The Life Companies have existing liabilities relating to guarantees and options contained in policies, which are increased by adverse movements in interest rates, increasing life expectancy and the proportion of customers exercising their options. The Group has purchased derivatives that provide some hedge protection against movements in interest rates but not all such interest rate risk is hedged and it may not be possible, feasible or desirable to hedge such risks in the future. The Group is also exposed to counterparty risk in respect of such financial instruments. The most significant factors affecting the cost of these liabilities relating to guarantees and options relative to the provisions made are the number of customers electing to exercise their option to take the more favourable annuity rates, the relative values of any hedge derivatives that may be maintained from time to time, interest rates and the longevity rates of annuity holders.

If the existing mismatch between the performance of the underlying assets and the guaranteed annuity benefits increases, the Group's business, results, financial condition and prospects could be materially adversely affected.

The Group may encounter new risks because it has started to write protection policies

The Group is primarily focused on the efficient management of in-force policies and has historically written a limited number of new policies (as increments to existing policies and annuities for current policyholders when their policies mature). Following completion of the AXA Transaction, the Group additionally now writes a limited set of directly marketed protection policies, including Guaranteed Over 50s policies (life insurance policies available to people over 50 years of age, which pay out upon the death of the life assured). Whilst the value of this new business is relatively small in proportion to the value of the rest of the Group, there are significant risks associated with the distribution of life insurance products and the sale of these types of products which are not associated with the Group's current business model. The risks associated with new business include underwriting risk, operational risk from processing new business, conduct risk, the risk of increased FCA (and other regulatory) supervision in respect of marketing activities and regulatory capital requirements. If the Group is unable to successfully meet the challenges of these new and/or increased risks, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group's success will depend upon its ability to attract, motivate and retain key personnel

The calibre and performance of the Group's senior management and other key employees, taken together, is critical to the success of the Group. The continued success of the Group will depend on its ability to attract, motivate and retain highly skilled management and other personnel, including lawyers, actuaries, portfolio and liability managers, analysts and executive officers. Competition for qualified, motivated and skilled personnel in the life insurance industry remains significant. Moreover, in order to retain certain key personnel, the Group may be required to increase compensation to such individuals, resulting in additional expenses. If the Group is unable to attract, motivate and retain key personnel, its business, results, financial condition and prospects could be materially adversely affected.

The Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes for employees if the value of or cashflows from pension fund assets is not sufficient to cover future obligations under the schemes

The Group operates several different pension schemes. The three main pension schemes are the pension scheme covering the past and present employees of the Group prior to the acquisition of the Resolution Group (the "**Pearl Group Staff Pension Scheme**"), the pension scheme covering the past and present employees of Impala's subsidiaries and the present employees of the AXA Wealth Limited's pensions and protection businesses (the "**PGL Pension Scheme**"), and the pension scheme covering the past and present employees of Abbey Life (the "**Abbey Life Pension Scheme**"). Each of those schemes has both defined benefit and defined contribution liabilities. The defined benefit sections of each scheme are closed to new entrants and both the Pearl Group Staff Pension Scheme and the PGL Pension Scheme contain no active members. As at 31 March 2015, the Abbey Life Pension Scheme had 19 active members.

The pension schemes' trustees are required to undertake triennial valuations of the schemes and agree with the Group's statutory funding plans, although the trustees are free to call for a further valuation on an earlier date if they see fit. The interaction of, among other things, increased life expectancy, poorly-performing equity markets and low interest rates over the past several years has had a significant negative impact on the funding levels of the Group's pension schemes. This has materially increased the Group's funding obligations in respect of the pension schemes. Any future decline in the value of scheme assets, changes in mortality and/or morbidity rates, future changes in interest rates, changes in inflation rates or changes in the current investment strategies

of the pension schemes could increase or contribute to the pension schemes' funding deficits and require the Group to make additional funding contributions in excess of those currently expected.

The most recent triennial valuation for the PGL Pension Scheme as at 30 June 2015 was completed in June 2016. This showed a surplus of £164 million on the agreed technical provisions basis as at 30 June 2015. The trustees of the PGL Pension Scheme and Pearl Group Holdings (No. 1) Limited ("**PGH1**") have agreed that PGH1 will pay contributions of £1.25 million per month until August 2017.

The most recent triennial valuation for the Pearl Group Staff Pension Scheme as at 30 June 2015 was completed in September 2016. This showed a deficit of £300 million on the agreed technical provisions basis as at 30 June 2015. The trustees of the Pearl Group Staff Pension Scheme and Pearl Group Holdings (No. 2) Limited ("**PGH2**") entered into the 2012 Pensions Agreement on 27 November 2012 under which the trustees agreed the technical provisions basis to be used for each triennial valuation and agreed the contributions payable to the scheme. Under this agreement PGH2 will pay contributions of £40 million per annum until 2021.

As at 31 March 2015, the final salary pension scheme called the Abbey Life Assurance Company Limited Staff Pension Scheme that benefits employees of Abbey Life (the "**ALAC Pension Scheme**") had approximately 19 active members, 2,182 deferred members and 876 pensioner members. No new members have been admitted since 2003 except in a few exceptional cases. As at 31 March 2015, the ALAC Pension Scheme's assets were £221.9 million, with liabilities of £328.8 million and a deficit of £106.9 million on a scheme funding (technical provisions) basis. The estimated excess (cost/deficit) of buying insurance policies to secure the benefits on a wind-up of the ALAC Pension Scheme was £232.2 million as at 31 March 2015. A funding agreement between Abbey Life and the trustees of the Abbey Life Pension Scheme (the "**Trustees**") was entered into in June 2016 under which Abbey Life will pay contributions of £246,000 per month between July 2016 and June 2026. Abbey Life will make an additional payment of £2.92 million per annum into a charged escrow account (the "**2016 Charged Account**"). A separate charged account was set up as part of a funding agreement entered into in June 2013 (the "**2013 Charged Account**"). The 2013 Charged Account and 2016 Charged Account contained a combined £37.4 million as at 31 December 2016. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2021, Abbey Life must pay to the scheme the lower of the deficit and the value of the assets in the 2013 Charged Account. If the scheme shows a deficit on defined technical provisions basis as at 31 March 2027, Abbey Life must pay to the scheme the lower of the deficit and the value of the assets in the 2016 Charged Account.

The UK Pensions Regulator as established under Section 1 of the Pensions Act 2004 (the "**Pensions Regulator**") has statutory powers to demand contributions from companies connected or associated with an employer in a defined benefit pension scheme (such as other entities within a group), including powers to issue Financial Support Directions or Contribution Notices. The powers may be exercised against any entity which is "connected" or "associated" with the company which participates in the scheme. These are referred to as "moral hazard" powers and enable the Pensions Regulator to take action - if reasonable to do so - where certain corporate activity has a materially detrimental effect on the security of members' benefits in a pension scheme. Broadly a Financial Support Direction requires the target to put in place arrangements for the financial support of the scheme. No element of fault is required but there is a reasonableness test and certain other statutory tests have to be satisfied. A Contribution Notice requires the target to pay a sum of money into the scheme where there has been an act or omission, one of the main purposes of which is to avoid any "employer debt" becoming due or to compromise or otherwise reduce the amount of that debt or which otherwise has a materially detrimental impact on the funding of the scheme. A change in the employer covenant supporting a scheme could therefore fall within the scope of the Pensions Regulator's powers.

The Pensions Regulator also has statutory powers to intervene in pension scheme funding if the employers and trustees fail to reach agreement or if it is not satisfied that the statutory funding plans will eliminate the funding deficit in a timely manner. In practice, the Pensions Regulator has not been known ever to exercise its statutory

powers to intervene in scheme funding, but instead may seek to influence behaviour if the parties are struggling to reach agreement on the terms of the triennial actuarial valuation.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

Because PGH is incorporated under the laws of the Cayman Islands, Noteholders may need to enforce any judgment obtained against PGH in the courts of the Cayman Islands

PGH is incorporated under the laws of the Cayman Islands and its corporate affairs are governed by its Memorandum and Articles of Association, the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. To the extent that any Noteholder obtains a judgment against PGH from a court in England and Wales it should be noted that whilst there is no statutory recognition in the Cayman Islands of judgments obtained in England and Wales, the courts of the Cayman Islands will in certain circumstances recognise and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits at common law by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands.

Third Parties and Other Counterparties

The Group relies predominantly on third party asset management firms outside the Group to manage its assets. Periods of underperformance of the asset management firms appointed by the Group could lead to disproportionate redemptions in the funds of the Group, and the performance of such firms (and therefore the performance of the Group's investments) may be adversely affected by mismanagement of client assets or liabilities and the loss of key investment managers

The Group relies predominantly on third party asset management firms outside the Group to manage its assets. Members of the Group enter into investment management agreements when they appoint third party asset management firms to manage the Group's assets. Such investment management agreements typically contain provisions relating to performance conditions, the breach of which can permit the early withdrawal of assets from third party asset managers. The Group only enters into third party asset management relationships with firms which the directors of PGH believe have the know-how, expertise and business models appropriate for the provision of asset management services to the Group. The Group aims to maintain effective systems and controls for third party asset management firms in compliance with the Group's ongoing obligations. However, there can be no assurance that such provisions would be successful in seeking to avoid or reduce the potential effects of underperformance by third party asset management firms.

If the investment performance of the third party asset management firms appointed by the Group represents underperformance relative to other asset management firms, the Group's policyholders may seek to redeem their policies. In addition, the Group derives a significant portion of its income from its share of the appreciation of investments held in shareholder, non-profit and with-profit funds. Therefore, where the Group experiences lower returns on those assets, this reduces the level of income which the Group would recognise. Any of these factors could have a material adverse effect on the Group's business, results, financial condition and prospects.

The performance of the third party asset management firms appointed by the Group is also subject to risks associated with the process of managing client assets and providing asset and liability management services, such as the risk of failure to manage the investment process or execute trading activities properly. Such failure could lead to poor investment decisions, incorrect risk assessments, poor asset allocation, inappropriate investments being bought or sold and incorrectly monitoring exposures. A failure by asset management firms to effectively manage the Group's assets, interest rate and liquidity risks could have a material adverse effect on the Group's business, results, financial condition and prospects.

If the Group experiences difficulties arising from outsourcing relationships, its ability to conduct business may be compromised

Certain Group Companies outsource almost all of their key customer service, policy administration, accounts collection, human resource payroll and administration functions under formal outsourcing arrangements. The Group only enters into outsourcing relationships with firms which the directors of PGH believe have the know-how, expertise and business models that put such services at the core of their offerings. The Group aims to maintain effective systems and controls for outsource providers in compliance with the Group's ongoing obligations. However, there can be no assurance that such systems and controls will be completely successful in seeking to avoid, or reduce the potential effects of, underperformance. In particular, while the outsourcing relationships are carefully monitored, underperformance may also result in breaches of applicable law and regulation, which could result in regulatory intervention. There is also a risk that the providers will not be able to keep up with the pace of legal and/or regulatory change, in which case the Group's operations may become non-compliant.

If the Group does not effectively develop, implement and monitor its outsourcing strategy, or outsourcing relationships do not perform as anticipated or the Group experiences problems with a transition of outsourcing arrangements, the Group may experience poor investment returns, operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on the Group's business, results, financial condition and prospects. In addition, the failure or insolvency of, or inability to provide the relevant services by, one or more of the Group's third party service providers could have a material adverse effect on the Group's ability to sustain its ongoing operations, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

If the Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer and employee data, due to accidental loss, cyber-crime, the occurrence of disasters or other unanticipated events affecting the Group or its service providers, its ability to conduct business may be compromised, which may have an adverse effect on the Group

The Group uses computer systems to store, retrieve, evaluate and utilise customer, employee and company data and information. The Group's computer, information technology and telecommunications systems, in turn, interface with and rely upon third party systems, including those of third party outsourced service providers. The Group's business is highly dependent on its ability, and the ability of certain third parties, to access these systems to perform necessary business functions, including, without limitation, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, providing customer support and managing the Group's investment portfolios. Systems failures or outages could compromise the Group's ability to perform these functions in a timely manner, which could harm its ability to conduct business and hurt its relationships with its business partners and customers. In the event of a disaster, such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, the Group's systems may be inaccessible to its employees, customers or business partners for an extended period of time. The Group's systems could also be subject to physical and electronic break-ins, cyber-crime and subject to similar disruptions from unauthorised tampering. In addition, the Group is subject to the accidental loss of data by its employees or outsourced service providers, which could expose the Group to potential liabilities and could negatively impact its relationships with its business partners and customers. The factors described above may impede or interrupt the Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including customer data, which could lead to potential liabilities and damage the Group's reputation. Furthermore, because of the long-term nature of much of the Group's businesses, accurate records have to be kept for long periods of time.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement or portfolio transfers. In addition, the unavailability, adverse pricing and/or inadequacy of reinsurance arrangements may adversely affect the Group

As an insurer, the Group seeks, through reinsurance with third parties, to transfer to reinsurers risk (and, in particular, in relation to the Life Companies, mortality, longevity and morbidity risk) that can cause unfavourable outcomes to its business. As a result, the Group has substantial exposure to reinsurers through reinsurance (or retrocession) arrangements in relation to the Life Companies. Under these arrangements, reinsurers assume all or a portion of the costs, losses and expenses associated with the reinsured (or retroceded) policies' claims and reported and unreported losses in exchange for a premium, or as part of a sale arrangement. However, the Life Companies remain liable as the direct insurer (or reinsurer) on all risks reinsured (or retroceded). Consequently, reinsurance arrangements do not eliminate the Group Companies' obligation to pay claims. The Group's companies are subject to reinsurer credit risk with respect to their ability to recover amounts due from reinsurers. Even where the reinsurer has an obligation to put up collateral in support of its operations, there can be no certainty that such collateral will satisfy the full amount of the Group's liabilities.

While the Group regularly evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from reinsurer defaults and insolvencies, reinsurers may become financially unsound or choose to dispute their contractual obligations when they become due. Reinsurers may also seek to "cut off" the obligations they owe under the reinsurance arrangements by schemes of arrangement. A scheme of arrangement allows an insurer or reinsurer to achieve finality for their exposure to certain policies by giving creditors a fair valuation of ultimate liabilities (i.e. settling all known claims balances and incurred but not reported balances). A scheme of arrangement may limit the benefit of reinsurance protections and ultimately the amount available to pay out subsequent claims.

In addition, market conditions beyond the Group's control determine the availability and cost of the reinsurance that the Group is able to purchase in the event that the existing reinsurance arrangements prove to be insufficient. Historically, reinsurance pricing has changed significantly from time to time. No assurances can be given that reinsurance will remain continuously available to the Group to the same extent and on the same terms as are currently available or which were available at the time that the current arrangements were established. If the Group were unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that the Group considers sufficient and at prices that it considers acceptable, the Group would have to either accept an increase in its net liability exposure or develop other alternatives to reinsurance. The availability of reinsurance to UK insurers may also depend on the precise terms of the UK's Brexit arrangements.

Third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement and the unavailability, adverse pricing or inadequacy of reinsurance arrangements could have a material adverse effect on the Group's business, results, financial condition and prospects.

The divestment of Ignis Asset Management may expose the Group to purchase price adjustments and other costs or claims

On 1 July 2014, the Group announced the completion of the divestment of Ignis Asset Management.

The divestment agreement contains certain warranties and indemnities in favour of Standard Life Investments. In addition, in the divestment agreement, PGH agreed with Standard Life Investments that it will guarantee the payment obligations of Impala under that agreement, including indemnities given by Impala to Standard Life Investments and Impala's obligations in respect of any purchase price adjustment referred to below. The extent to which the Group will be required in the future to incur costs under any of these warranties, agreements or

indemnities is not predictable and, if the Group should incur such costs, these costs may have an adverse effect on the Group's business, results, financial condition and prospects.

As part of this divestment, Impala Holdings Limited ("**Impala**") agreed to a purchase price adjustment for a period of 10 years in the event that assets held by the Life Companies are withdrawn from management by Ignis Asset Management, other than for specific reasons such as poor investment performance or for material breaches of the existing investment management agreements (the "**Investment Management Agreements**") between the Life Companies (and Opal Reassurance Limited ("**Opal Re**")) and Standard Life Investments. A purchase price adjustment can only be triggered as a result of a decision by the relevant member of the Group to withdraw assets from management by Ignis Asset Management. PGH has also guaranteed Impala's obligations in respect of any purchase price adjustment. This price adjustment mechanism is calculated on the basis of the base management fees that would have been payable under the relevant Investment Management Agreement, assuming the assets had not been withdrawn and taking into account the expected run-off profile of the relevant assets.

The price adjustment mechanism could result in Impala incurring a cost which would need to be funded from its internal cash resources from time to time. In addition, the Group will hold regulatory capital against its potential liabilities under the price adjustment mechanism in its regulatory capital requirement. Any adjustments to the purchase price or any increased regulatory capital requirements in relation to the price adjustment mechanism may reduce PGH's cash resources and/or have an adverse effect on its financial condition and/or a material adverse effect on the Group's business, results, financial condition and prospects.

Legal and arbitration proceedings could cause the Group to incur significant expenses, which could have an adverse effect on the Group

From time to time, the Group is party to various legal and arbitration proceedings (including the matters discussed in "*Information on Phoenix Group Holdings and the Group - Litigation and Arbitration Proceedings*") in respect of which monetary damages are sometimes sought.

On 5 June 2015, PA (GI) Limited ("**PA (GI)**") was subject to a judgment in the Chancery Division of the Companies Court. The judgment directed that PA (GI) is liable to the claimants for complaints and claims relating to a book of creditor insurance business that PA (GI) underwrote until 2006. As a consequence, PA (GI) is liable for complaint handling and redress with regard to the complaints. PGH had paid a total of £6 million in respect of such complaints, claims and associated expenses as at 31 December 2016 and has recognised an accounting provision in this regard of £32.8 million as at 31 December 2016. If the number of complaints increases this accounting provision may need to be raised. Following an FCA consultation which is expected to be completed in the first quarter of 2017, the FCA has introduced a deadline for such claims of August 2019. The deadline will be preceded by a FCA publicity campaign, the purpose of which is to ensure persons with a right of claim are aware of their rights. Until that deadline has passed, PGH is unable to confirm its maximum exposure in respect of this matter. The campaign is likely to increase the number of complaints for which PA (GI) may have to pay redress. Such an increase could result in the total additional liability of the Group in respect of these complaints and claims being in excess of the £32.8 million for which provision has been made in PGH's financial statements as at 31 December 2016.

The Group's management cannot predict with certainty the outcome of pending legal and arbitration proceedings or potential future legal and arbitration proceedings, and the Group may incur substantial expense in pursuing or defending these proceedings. Potential liabilities may not be covered by insurance, the Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Group's insurance coverage may be inadequate. Moreover, even if claims brought against the Group are unsuccessful or without merit, the Group would have to defend itself against such claims. The defence of any such actions may be time consuming and costly, may distract the attention of management and potentially result in

reputational damage. As a result, the Group may incur significant expenses and may be unable to effectively operate its business. Accounting provisions recognised by PGH in its financial statements may prove to be insufficient. Any of the above and any adverse outcomes and reputational damage arising out of such litigation could have a material adverse effect on the Group's business, results, financial condition and prospects.

Indebtedness

The Group could be materially adversely affected by its indebtedness.

The total principal amount outstanding under the Group's 2021 Bonds, 2025 Notes, Existing Bank Debt (as defined in "Terms and Conditions of the Senior Notes") and Phoenix Life Limited's £200 million 7.25 per cent. undated, unsecured subordinated notes ("PLL Tier 2 Bonds") as at 31 December 2016 was £1,778 million.

The Group's indebtedness and restrictions on the Group under the terms of its bond and credit facilities could have a material adverse effect on the Group, including:

- (i) requiring the Group to dedicate a substantial portion of its cashflow to payments on its debt;
- (ii) restricting the Group from pursuing potential acquisition opportunities or preventing the Group from being able to obtain regulatory approval for a potential acquisition opportunity, which could impair the Group's ability to execute its acquisition strategy;
- (iii) exposing the Group to increases in interest rates to the extent its variable rate debt is unhedged;
- (iv) placing the Group at a competitive disadvantage compared to its competitors that have lower levels of indebtedness;
- (v) the Group losing its investment grade rating;
- (vi) limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry; and
- (vii) limiting, among other things, the Group's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

The Group may need to refinance the remaining outstanding principal amount of its bonds and credit facilities either on terms which could potentially be less favourable than the existing terms or under unfavourable market conditions.

On the other hand, the Group's leverage has a positive effect on the Group's value through the beneficial impact of the tax deductibility of interest and so any significant reduction in its indebtedness and associated interest costs may have an adverse impact on the Group's value as a consequence of higher tax payments than currently projected by the Group. There can be no assurance that the Group will, in the future, continue to benefit from tax deductions for its interest costs to the same extent.

The level of the Group's indebtedness and its financing structure could therefore have a material adverse effect on the Group's business, results, financial condition and prospects and the relevant Issuer's ability to make payment under the Notes.

The finance facilities and debt instruments that the Group has entered into include covenants that may restrict the Group from taking certain business actions and/or implementing its business strategy

The agreements that govern the Group's finance facilities and debt instruments contain certain restrictions limiting its flexibility in operating its business. Such restrictions limit the Group's ability to:

- (i) create liens;
- (ii) borrow money;

- (iii) sell or otherwise dispose of assets; and
- (iv) engage in mergers or consolidation.

These restrictions could in the longer term hinder the Group's ability to implement its business strategy. The Group is also subject to other financial and non-financial restrictions that may limit its ability to pay dividends. In addition, a breach of the terms of other finance facilities or debt instruments could cause a default under the terms of the Group's other financing arrangements, causing some or all of the debt under those financing arrangements to become due prior to its scheduled maturity date.

Taxation

Changes in taxation law may adversely impact the Group

UK and overseas taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes, value added taxes and other indirect taxes. The Group's management cannot predict accurately the impact of future changes in UK and overseas tax law on its business. From time to time, changes in the interpretation of existing UK and overseas tax laws, amendments to existing tax rates, changes in the practice of tax authorities, or the introduction of new tax legislation in the UK or overseas may adversely impact the Group's business, results, financial condition and prospects.

There are specific rules governing the taxation of policyholders. The Group's management cannot predict accurately the impact of future changes in tax law on the taxation of life and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decisions of policyholders, and could have a material adverse effect on the Group's business, results, financial condition and prospects.

The UK government has concluded its consultations on the Reforms to Corporation Tax Loss Relief and the Tax Deductibility of Corporate Interest Expense. Draft legislation has been published. In the case of the reform to the Tax Deductibility of Corporate Interest Expense, based on the draft legislation it is not currently expected that this reform will materially impact the ability of the Group to obtain tax value for its interest costs. In the case of the reform to Corporation Tax Loss Relief, one of the proposed measures is that, as of 1 April 2017, relief for tax losses carried forward will broadly be restricted to 50 per cent. of a group's taxable profits arising in any future period (there is currently no such restriction). Based on the draft legislation the impact is estimated to be an increase in the combined Life Company SCR of less than £120m (excluding management actions which may reduce the impact), with mitigating actions expected to further reduce the impact to the overall Group's SCR to less than £70m. The capital impacts identified will reduce year on year in line with business profits and would lead to a deferral of forecast cash generation from the Life Companies rather than a permanent diminution. The proposals have no impact on the Group's Solvency II own funds or the IFRS results for the Group. However, the draft legislation for both proposals is subject to change prior to enactment. The potential impact of these reforms on the Group therefore remains uncertain. See also the risk factor entitled "*Regulatory capital and other requirements may change*".

The effect of future changes in tax legislation on specific products may have an adverse effect on the Group and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations

The design of long-term insurance products is predicated on tax legislation applicable at that time. However, future changes in tax legislation or in interpretation of the legislation may, when applied to these products, have a material adverse effect on the financial condition of the relevant long-term funds of the relevant Group Companies in which the business was written and therefore have a material negative impact on policyholder and the Group's returns.

The design of long-term products takes into account, among other things, risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. Policyholders may seek legal redress where a product fails to meet their reasonable expectations. An adverse outcome of such litigation and reputational damage arising out of such litigation could have a material adverse effect on the Group's business, results, financial condition and prospects.

Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group

Group Companies currently do not pay significant amounts of VAT in respect of services they receive under their outsourced services agreements for policy administration. If the amount of VAT payable were to increase then this would increase the Group's costs to the extent that the relevant agreements did not contain adequate protection against VAT being charged or increased. VAT charged on goods and services is largely irrecoverable for financial services groups such as the Group.

Services supplied under the outsourced services agreements are largely exempt from VAT under the UK's insurance intermediaries' exemption. However, the Court of Justice of the European Union has considered the scope of the insurance intermediaries' exemption in a number of cases, most recently in March 2016, and ruled that certain types of outsourced insurance services were subject to VAT. The UK's interpretation of the insurance intermediaries' exemption may therefore change, however it is not currently possible to predict with any accuracy how any change will be implemented into UK law and when it will take effect, particularly given the legal uncertainty following Brexit. If any such changes are effected, this may lead to the conclusion that certain services under the Group's outsourced services agreements for policy administration would be treated as subject to VAT. Although certain of the outsourced services agreements have a measure of protection against such changes, since VAT is largely irrecoverable by the Group, such treatment could have a material adverse effect on the Group's business, results, financial condition and prospects.

Risks Related to PGHC

PGHC's ability to fulfil its obligations under the Senior Notes is dependent on the Group

PGHC is a finance vehicle which is a direct wholly-owned subsidiary of PGH and will on-loan the proceeds of any Series of Senior Notes issued by it in an amount equal to the principal amount of such Senior Notes to PGH or a subsidiary of PGH. PGHC has insufficient net assets, other than amounts due to it from the Group in respect of any intra-Group loans, to meet its obligations to pay interest and other amounts payable in respect of any Senior Notes and any other indebtedness owed to third parties. PGHC would, therefore, in the absence of other funding sources, have to rely on the Group to provide sufficient funds to meet such obligations.

In addition, the other members of the Group are separate and distinct legal entities and have no obligation, other than PGH in relation to the applicable Guarantee, contingent or otherwise, to pay any amounts due pursuant to the Senior Notes or to make any funds available for these purposes, whether by dividends, loans, distributions or other payments, and do not, apart from PGH, guarantee the payment of interest on, or principal of, the Senior Notes.

Any failure of the Group to provide such funds could have a material adverse effect on the ability of PGHC to make payments under the Senior Notes.

Risks Related to Irish Law

Centre of main interests ("COMI")

PGHC has its registered office in Ireland. As a result, there is a rebuttable presumption that its COMI is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice (the "ECJ") in relation to Eurofood IFSC Limited, the ECJ

restated the presumption in Council Regulation (EC) No. 1346/2000 of May 29, 2000 on Insolvency Proceedings that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As PGHC has its registered office in Ireland, has a majority of Irish resident directors and is registered for tax in Ireland, PGHC does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it is asked to make that decision. Upon an insolvency of PGHC, Noteholders would likely be required to seek to recover any amounts due under the Senior Notes through an Irish law insolvency procedure.

Preferred creditors

If PGHC becomes subject to insolvency proceedings and PGHC has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular, under Irish law, the claims of unsecured creditors of PGHC rank behind other creditors (including fees, costs and expenses of any examiner appointed, certain capital gains tax liabilities and claims of the Irish Revenue Commissioners for certain unpaid taxes) and, in the case of an insolvency of PGHC, this may have a material adverse effect on the ability of Noteholders to recover amounts due under the Senior Notes.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014 of Ireland. PGHC, the directors of PGHC, a contingent, prospective or actual creditor of PGHC, or shareholders of PGHC holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of PGHC are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances a negative pledge given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant court of Ireland when a minimum of one class of creditors, whose interests are impaired under the proposals, has (i) voted in favour of the proposals, (ii) the relevant court of Ireland is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and (iii) the proposals are not unfairly prejudicial to any interested party.

If an examiner were appointed while any amounts due by PGHC under the Senior Notes were unpaid, the primary risks to the holders of Senior Notes would be as follows:

- (i) the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against PGHC during the period of examinership;

- (ii) a scheme of arrangement may be approved involving the writing down of the debt due by PGHC to the Noteholders irrespective of the Noteholders' views;
- (iii) in the event that a scheme of arrangement is not approved and PGHC subsequently goes into liquidation, both the examiner's and liquidator's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of PGHC and approved by the relevant court of Ireland) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by PGHC to the Noteholders under the Senior Notes or the transaction documents in connection therewith;
- (iv) while a company is under the protection of the court, no action can be taken to enforce guarantees against persons who have guaranteed the debts of the company. Whether this prohibition under Irish law would be effective in the pursuit of a foreign guarantee is a matter of the governing law of the guarantee and/or the guarantor's residence; and
- (v) where a creditor receives notice of a meeting of creditors convened by the examiner to consider and vote on his proposals for a scheme of arrangement and that creditor's debt is guaranteed by a third party, then the creditor must, within very tight deadlines, offer the guarantor the opportunity to attend and vote at the meeting in place of the creditor. If this offer is not made in writing within the statutory time period, the creditor loses its right to pursue the guarantor pursuant to the guarantee.

Risks Related to Cayman Islands Law

Preferred creditors

If PGH becomes subject to insolvency proceedings and PGH has obligations to creditors that are treated under Cayman Islands law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular, under Cayman Islands law, the claims of unsecured creditors of PGH rank behind certain debts ("**Preferential Debts**") as set out in the Companies Law (as amended) of the Cayman Islands. The categories of Preferential Debts include, in broad terms, certain debts due to employees of the company, certain debts due to bank depositors (where the company in question is licensed under the Banks and Trust Companies Law (as amended)) and certain taxes due to the government of the Cayman Islands. In the case of an insolvency of PGH, this may have a material adverse effect on the ability of Noteholders to recover amounts due under the Senior Notes.

Risks Related to Notes generally

Words and expressions defined in "Terms and Conditions of the Senior Notes", "Terms and Conditions of the Tier 3 Notes" and "Terms and Conditions of the Tier 2 Notes" below shall, as appropriate, have the same meanings in this section.

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

Modification, waivers and substitution

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) subject (in the case of any Series of Subordinated Notes) to receiving no objection from the PRA, any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer in each case in the circumstances described in the Terms and Conditions of the Notes. If a Newco Scheme

occurs, the relevant Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed (i) as guarantor in place of the Guarantor in relation to the Senior Notes issued by PGHC or (ii) as issuer of the Notes in place of the relevant Issuer.

In the event of any such substitution, the Trustee shall be entitled to agree to amendments of the terms of the Notes and the Trust Deed without the consent of the Noteholders. Such substitution provisions may be used in a variety of circumstances including (without limitation) where the Group foresees that it will have a Solvency Capital Requirement at the level of PGH or at the time of any establishment of a UK holding company for the Group. See the risk factor entitled “*Regulatory capital and other requirements may change*” above.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another similar amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denominations that are not integral multiples of such minimum Specified Denominations (as defined in the applicable Final Terms). In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature (including one based on adverse tax consequences as is contained in the Terms and Conditions of the Senior Notes, the Tier 3 Notes and the Tier 2 Notes) is likely to limit the market value of Notes. In relation to the other special event redemption rights contained in the Terms and Conditions of the Tier 3 Notes and the Tier 2 Notes, see the risk factor entitled “*Early Redemption*” below. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Notes issued at a substantial discount or premium

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

No limitation on PGHC or PGH issuing further securities

There is no contractual restriction on PGHC or PGH creating liabilities ranking equally with or senior to any Series of Subordinated Notes and no restriction on the amount of securities which PGH or PGHC may issue or guarantee (as applicable), which securities or guarantees rank *pari passu* with, or with the relevant Guarantee in respect of, any Series of Senior Notes. The negative pledge contained in the Terms and Conditions of the Senior Notes contains a number of exceptions. The issue, guarantee or granting of security in relation to any other liabilities may reduce the amount recoverable by Noteholders on a winding-up of the relevant Issuer or, as the case may be, the Guarantor. In the winding-up of the relevant Issuer or, as the case may be, the Guarantor and after payment of the claims of their respective more senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders under the relevant Series of Notes and/or (in the case of Senior Notes issued by PGHC) the relevant Guarantee.

PGH is a holding company and PGHC is a financing vehicle

PGH is the parent company of the Group. The operations of the Group are conducted by the operating subsidiaries of PGH. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends to PGH) to Noteholders in respect of any payment obligations of PGH under the Notes or the Guarantee. As the equity investor in its subsidiaries, PGH's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that PGH is recognised as a creditor of such subsidiaries, PGH's claims may still be subordinated to any security interest in, or other lien on, their assets and to any of their debt or other obligations that are senior to PGH's claims. See also the risk factor entitled "*The Holding Companies are dependent upon distributions from their subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not in the longer term have sufficient capital or liquid assets to make sufficient distributions to the Holding Companies, or to meet its payment obligations, or it may suffer a loss in value*" above.

In addition, PGHC is a financing vehicle and will be dependent upon receiving income under any loans it has advanced or may advance to other Group Companies, failing which it will have to rely upon the support of the Guarantor, in order to meet its obligations under the Senior Notes. To the extent that PGHC has made or makes other loans to other Group Companies, such loans are likely to have been funded by a corresponding liability incurred by PGHC in connection with advancing such loans. See the risk factor entitled "*PGHC's ability to fulfil its obligations under the Senior Notes is dependent on the Group*" above.

Change of law

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

Legal investment considerations may restrict certain investments

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 purchase 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. See also "*Important Information – Volcker Rule*".

Risks relating to the Subordinated Notes

Words and expressions defined in “Terms and Conditions of the Tier 3 Notes” and “Terms and Conditions of the Tier 2 Notes” below shall, as appropriate, have the same meanings in this section.

Set out below is a brief description of certain additional risks relating to the Tier 2 Notes and the Tier 3 Notes:

PGH’s obligations under the Subordinated Notes are subordinated

The Tier 3 Notes will constitute direct, unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Tier 3 Notes will rank in priority to the claims of holders of the Tier 2 Notes and will rank junior to the claims of Senior Creditors (including holders of Senior Notes) in an Issuer Winding-Up and otherwise as set out in “*Terms and Conditions of the Tier 3 Notes*”.

The Dated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Dated Tier 2 Notes will rank junior to the claims of Senior Creditors (including holders of Senior Notes and Tier 3 Notes) in an Issuer Winding-Up and otherwise as set out in and “*Terms and Conditions of the Tier 2 Notes*”.

The Undated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of PGH and rank *pari passu* and without any preference among themselves. The claims of holders of Undated Tier 2 Notes will rank junior to the claims of Senior Creditors (including holders of Senior Notes, Tier 3 Notes and (unless an Undated Notes Parity Election has been made) Dated Tier 2 Notes) in an Issuer Winding-Up and otherwise as set out in and “*Terms and Conditions of the Tier 2 Notes*”.

While 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 Subordinated Notes will lose all or some of its investment should PGH become insolvent.

Interest payments under the Subordinated Notes must be deferred under certain circumstances

In respect of the Tier 2 Notes only, if “Optional Interest Payment Date” is specified as being applicable in the relevant Final Terms or Pricing Supplement, PGH may on any Optional Interest Payment Date elect to defer paying interest on each Optional Interest Payment Date.

All payments by PGH under or arising from any Series of Subordinated Notes are conditional upon the Solvency Condition being satisfied at the time of such payment and immediately thereafter. The Solvency Condition is a dual-level test and provides that, other than in circumstances where an Issuer Winding-Up has occurred or is occurring (but subject to Condition 3(c) of the relevant Terms and Conditions), all payments under or arising from (including any damages awarded for breach of any obligations under) the Notes or the Trust Deed are conditional upon:

- (i) PGH being solvent (as that term is described in Condition 3(d) of the relevant Terms and Conditions) at the time for payment by PGH and still being solvent immediately thereafter; and
- (ii) the Insurance Group Borrower (as defined in the Conditions) being solvent (as that term is described in Condition 3(d) of the relevant Terms and Conditions) at the time for payment by PGH.

As at the date of this Prospectus, the Insurance Group Borrower is expected to be PLHL but (subject to any necessary approval from the PRA) the identity of the Insurance Group Borrower could change on one or more occasions over time. Other than in circumstances where an Issuer Winding-Up has occurred or is occurring, no amount will be payable under or arising from the Subordinated Notes or the Trust Deed unless and until such time as the Insurance Group Borrower could, if such Notes were issued by the Insurance Group Borrower, make such payment and still be solvent immediately thereafter (disregarding, for this purpose only, any

Corresponding Payment (as defined in the Terms and Conditions of the Tier 2 Notes or the Tier 3 Notes, as applicable) made or to be made by it under the relevant On-Loan) (together, the “**Solvency Condition**”).

Further, PGH is required to defer any payment of interest on any Series of Subordinated Notes pursuant to Conditions 3(d) and 5(b) in respect of the Tier 2 Notes and Conditions 3(d) and 5(a) of the Tier 3 Notes (i) in the event that such payment cannot be made in compliance with the dual-level Solvency Condition (as noted above) or (ii) on each Regulatory Deficiency Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were made on such Interest Payment Date). The definition of Regulatory Deficiency Interest Deferral Event is complex and includes not only circumstances relating to PGH but also circumstances where (i) an insurance undertaking within the Insurance Group or the Insurance Group itself is in breach of its Solvency Capital Requirement, (ii) the Insurance Group Borrower would be required to defer the relevant payment of interest if the relevant Series of Subordinated Notes were issued by the Insurance Group Borrower and qualified as regulatory capital of the Insurance Group Borrower and/or the Insurance Group and/or (iii) where a Corresponding Payment is required to be deferred under the relevant Subordinated On-Loan at the direction of the PRA.

The deferral of interest as described above will not constitute a default by PGH and will not give Noteholders or the Trustee any right to accelerate repayment of the relevant Series of Subordinated Notes or take any enforcement action under such Notes or the Trust Deed for any purpose. Any interest so deferred shall, for so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest do not themselves bear interest. Arrears of Interest may, subject to certain conditions, be paid by PGH at any time upon notice to Noteholders, but in any event shall be payable, subject to satisfaction of the Regulatory Clearance Condition (where applicable) and the Solvency Condition, on the earliest to occur of (a) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(b) in respect of the Tier 2 Notes and Condition 5(a) in respect of the Tier 3 Notes) 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), (b) the date on which an Issuer Winding-Up occurs or (c) the date fixed for any redemption or purchase of Notes by PGH pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)(i)) or Condition 10 of the relevant Terms and Conditions.

Any actual or anticipated deferral of interest payments will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provision of the Subordinated Notes, the market price of such Notes may be more volatile than the market prices of other debt securities that are not subject to such deferral of interest and may be more sensitive generally to adverse changes in PGH’s financial condition and that of the Insurance Group Borrower.

See also the risk factor entitled “*Regulatory capital and other requirements may change*” above.

Redemption payments under the Subordinated Notes must, under certain circumstances, be deferred

PGH must defer redemption of any Series of Subordinated Notes on the Maturity Date (if applicable) or on any other date set for redemption of such Subordinated Notes pursuant to Condition 6 of the relevant Terms and Conditions in the event that it cannot make the redemption payments in compliance with the dual-level Solvency Condition or if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Subordinated Notes were redeemed by PGH on such date. The definition of Regulatory Deficiency Redemption Deferral Event is complex and includes not only circumstances relating to PGH but also circumstances where (i) an insurance undertaking within the Insurance Group is in an insolvent winding-up or administration in circumstances where the claims of policyholders will or may not be met in full, or any such undertaking or the Insurance Group itself is in breach of its Solvency Capital Requirement, (ii) the Insurance

Group Borrower would be required to defer the relevant payment of principal if the relevant Series of Subordinated Notes were issued by the Insurance Group Borrower and qualified as regulatory of the Insurance Group Borrower and/or the Insurance Group and/or (iii) where a Corresponding Payment is required to be deferred under the On-Loan at the direction of the PRA.

The deferral of redemption of the Notes will not constitute a default by PGH and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed for any purpose. Where redemption of the Notes is deferred, subject to certain conditions (including satisfaction of the Regulatory Clearance Condition (if applicable) and the dual-level Solvency Condition), the Notes will be redeemed by PGH on the earliest of (a) the date falling 10 Business Days following cessation of the Regulatory Deficiency Redemption Deferral Event or (b) the date falling 10 Business Days after the PRA has approved the repayment or redemption of both the Notes (where such approval is required under the Relevant Rules) and any On-Loan or (c) the date on which an Issuer Winding-Up occurs.

Any actual or anticipated deferral of redemption of the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the redemption deferral provision of the Notes, including with respect to deferring redemption on the scheduled Maturity Date, the market price of the Notes may be more volatile than the market prices of other debt securities without such deferral feature, including dated securities where redemption on the scheduled maturity date cannot be deferred. Accordingly, the Notes may be more sensitive generally to adverse changes in the financial condition of the Insurance Group Borrower.

See also the risk factor entitled “*Regulatory capital and other requirements may change*” above.

Perpetual securities

PGH is under no obligation to redeem the Undated Tier 2 Notes at any time and the holders of Undated Tier 2 Notes have no right to call for their redemption.

Early redemption

A Series of Subordinated Notes may, subject as provided in Condition 6 of the relevant Terms and Conditions, at the option of PGH, be redeemed before the Maturity Date (if any) at their principal amount, together with any Arrears of Interest and any other accrued but unpaid interest to (but excluding) the date of redemption, (i) at any time following the occurrence of a Capital Disqualification Event or (ii) in the event of certain changes in the tax treatment of the Notes or payments thereunder due to a change in applicable law or regulation or the official interpretation thereof.

The definition of Capital Disqualification Event is complex. Broadly speaking, a Capital Disqualification Event will occur if, as a result of a change in the Relevant Rules (or in the official interpretation thereof) after the Issue Date, either the relevant On-Loan or the relevant Series of Subordinated Notes, as applicable, do not qualify as (in the case of Tier 2 Notes) Tier 2 Capital or (in the case of Tier 3 Notes) Tier 3 Capital.

However, the precise operation of the Capital Disqualification Event will depend upon (i) whether or not PGH is part of the Insurance Group (as defined in the Conditions) and (ii) whether or not the Group (as defined in the Conditions) is subject to a Solvency Capital Requirement that is separate from, and in addition to, the Solvency Capital Requirement of the Insurance Group.

As at the date of this Prospectus, PGH is not a member of the Insurance Group, and the Group does not have a Solvency Capital Requirement. For so long as that remains the case, the occurrence of any Capital Disqualification Event would be as a result of a change in the capital treatment of the relevant On-Loan such that no part of it qualifies as Tier 2 Capital or, as the case may be, Tier 3 Capital of the Insurance Group, the Insurance Group Borrower or a relevant undertaking within the Insurance Group.

If, in the future, PGH becomes a member of the Insurance Group, a Capital Disqualification Event would occur if no part of the principal amount of the Notes qualifies as Tier 2 Capital or Tier 3 Capital (as applicable) of the Insurance Group, the Insurance Group Borrower or a relevant undertaking within the Insurance Group. In particular, as part of the on-going simplification of the Group structure, the Group intends to put in place a new UK-registered holding company for the Group in 2018 and PGH could become a member of the Insurance Group.

For the avoidance of doubt, for so long as part of the principal amount of the relevant On-Loan or the relevant Series of Subordinated Notes (as applicable) qualifies as Tier 2 Capital or, as the case may be, Tier 3 Capital for at least one of the Insurance Group, the Insurance Group Borrower or a relevant undertaking within the Insurance Group, no Capital Disqualification Event will have occurred under the provisions described above (but without prejudice to the following paragraph).

In addition to the foregoing, and whether or not PGH is a member of the Insurance Group at the relevant time, if the Group becomes subject to a Solvency Capital Requirement that is separate from, and in addition to, the Solvency Capital Requirement of the Insurance Group, a Capital Disqualification Event would also occur if the relevant Series of Subordinated Notes gain, and then subsequently lose (as a result of a change in the Relevant Rules or in the official interpretation thereof), Tier 2 Capital or, as the case may be, Tier 3 Capital treatment at the level of the Group (regardless of whether or not such Subordinated Notes or the relevant On-Loan qualify as Tier 2 Capital or Tier 3 Capital elsewhere in the Group). As at the date of this Prospectus, PGH would not expect the Group to become subject to such an additional Solvency Capital Requirement until expiry of the waiver described in the risk factor entitled “*The expiry of the “other methods” waiver may result in a reduction in the Own Funds available to match the group regulatory capital requirement*” above. Such waiver is due to expire on 30 June 2017.

For the avoidance of doubt, if the Group and the Insurance Group were to become the same, there would not be a Solvency Capital Requirement of the Group that is separate from, and in addition to, the Solvency Capital Requirement of the Insurance Group.

As discussed in greater detail in the section of this Prospectus entitled “*Regulatory Overview*”, the European Union has only recently developed the Solvency II framework for insurance companies, which, amongst other things, sets out features which any instruments (including subordinated instruments issued by insurance groups such as the relevant On-Loan and potentially, if the Group has a Solvency Capital Requirement following the date of this Prospectus, the Notes) must have in order to qualify as regulatory capital. There can be no assurance that the relevant implementation measures and guidelines will not be amended in the future.

Accordingly, there is a risk that after the issue of the relevant Series of Subordinated Notes, a Capital Disqualification Event may occur which would entitle PGH to redeem such Notes early at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest.

The triggers for redemption relating to changes in the tax treatment of the Notes or payments thereunder are also complex and investors should note that they include (but are not limited to) circumstances where as a result of certain changes in, or amendments to, laws or regulations of a Relevant Jurisdiction or the application or official or generally published interpretation thereof (a) PGH would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or for a material part of such interest) in Jersey or the United Kingdom (if PGH becomes subject to corporation tax in the United Kingdom) and (b) PGH suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction (as defined) other than the Cayman Islands.

At the time of any such redemption by PGH, prevailing interest rates may be lower than the rate borne by the relevant Series of Subordinated Notes. If that is the case, a Noteholder may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Subordinated Notes and may

only be able to do so at a significantly lower rate. In addition, PGH's ability to redeem such Subordinated Notes at its option in certain limited circumstances may affect their market value. In particular, during any period when PGH may elect to redeem the Subordinated Notes, their market value generally will not rise substantially above the redemption price because of the optional redemption feature. This may also be true prior to any redemption period. Potential investors should consider reinvestment risk in light of other investments available at that time.

As discussed in the risk factor entitled “*Changes in taxation law may adversely impact the Group*”, the UK rules relating to the tax deductibility of interest expense are being reformed with effect from 1 April 2017. Although it is not currently expected that this reform will materially impact the ability of the Group to claim deductions for all or part of its interest expenses, the potential impact of this reform remains uncertain as the draft legislation that has been published is incomplete and is subject to change prior to enactment.

Variation or substitution of the Subordinated Notes without Noteholder consent

In the event of certain changes in the tax treatment of the Subordinated Notes or payments thereunder due to a change in applicable law or regulation or the official interpretation thereof or following the occurrence of a Capital Disqualification Event or a Ratings Methodology Event, PGH may, at its option and without the consent or approval of the Noteholders (but subject as provided in Condition 6 of the relevant Terms and Conditions), at any time elect to (i) substitute the Notes for Qualifying Securities or (in the case of a Ratings Methodology Event) Rating Agency Compliant Securities or (ii) vary the terms of the Notes so that they become or remain Qualifying Securities or (in the case of a Ratings Methodology Event) Rating Agency Compliant Securities.

Restricted remedy for non-payment when due under Subordinated Notes

If default is made by PGH for a period of 14 days or more in the payment of any amount due under the Subordinated Notes, the sole remedy against PGH available to the Trustee or (where the Trustee has failed to proceed against PGH 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 PGH and/or proving in any winding-up or in any administration of PGH and/or claiming in the liquidation of PGH.

Non-payment by PGH of any amounts when due or the occurrence of any Issuer Winding-Up will not, of itself, render the Notes immediately due and payable at their principal amount.

Risks Related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of 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.

In particular, 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.

If specified in the relevant Final Terms or Pricing Supplement, on the First Reset Note Reset Date and each Reset Note Reset Date thereafter, the rate of interest on the relevant Series of Notes will be reset by reference to the then prevailing Benchmark Gilt Rate or Mid-Market Swap Rate (as applicable), and for a period equal to the Reset Period, as adjusted for any applicable margin. The reset of the rate of interest in accordance with such provisions may affect the secondary market and the market value of such Notes and, following any such reset of the rate of interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or the previous Subsequent Reset Rate of Interest, thereby reducing the amount of interest payable to Noteholders and potentially leading to losses for the Noteholders if they sell the Notes as a result of a reduction in the secondary market bid prices for such Notes.

Exchange rate risks and exchange controls

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all 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.

Effect of credit rating reduction

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the relevant Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the relevant Issuer's outstanding securities by standard statistical rating services. A reduction in the rating, if any, accorded to outstanding debt securities of the relevant Issuer or, in the case of the Senior Notes issued by PGHC, the Guarantor by one of these rating agencies could result in a reduction in the trading value of the Notes.

Investors must rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the relevant Issuer

The Notes will be issued in global form. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg and will receive and provide any notices only through Euroclear or Clearstream, Luxembourg.

While the Notes remain in global form, the relevant Issuer or, as appropriate in the case of the Senior Notes issued by PGHC, the Guarantor, will discharge its payment obligations under the Notes by making payments

to (or, in the case of Registered Notes) to the order of the registered holder as nominee for) the common depositary for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The relevant Issuer or, as appropriate in the case of the Senior Notes issued by PGHC, the Guarantor, has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Notes held through Euroclear or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or, in the case of PD Exempt Notes, the relevant Pricing Supplement and except for the paragraphs in italics, shall be applicable to the Senior Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Senior Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement (as applicable) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions “specified hereon” or “specified as such hereon” shall be to the provisions endorsed on the face of the relevant Note or Certificate or set out in the relevant Final Terms or Pricing Supplement (as applicable). The relevant Pricing Supplement in relation to any Tranche of PD Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of the relevant Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. These Conditions shall be applicable to those Notes which are specified to be “Senior Notes” in the relevant Final Terms or Pricing Supplement. References in the Conditions to “Notes” are to the Senior Notes of one Series only, not to all Notes that may be issued under the Programme.

This Note is one of a Series (as defined below) of Notes issued by [PGH Capital Public Limited Company (the “**Issuer**”) and guaranteed by Phoenix Group Holdings (the “**Guarantor**”)]* [Phoenix Group Holdings (the “**Issuer**”)]** constituted by a trust deed originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”)) (the “**Trust Deed**”) between PGH Capital Public Limited Company, Phoenix Group Holdings and Citibank, N.A., London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between PGH Capital Public Limited Company, Phoenix Group Holdings, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and (unless otherwise set out herein or hereon) the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the “**Coupons**”) relating to interest-bearing Notes in bearer form and, where applicable, in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and

conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Provisions that are marked with a * only apply where PGH Capital Public Limited Company is the Issuer and provisions marked with a ** only apply where Phoenix Group Holdings is the Issuer.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State in circumstances which require the publication of a Prospectus under the Prospectus Directive (Directive 2003/71/EC, as amended), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

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

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

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

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

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

2 Transfers of Registered Notes

(a) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer (as set out in Schedule 1 of the Trust Deed) endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate

in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

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

(c) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or relevant Transfer Agent (as applicable) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) *Exchange and Transfer Free of Charge*

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

(e) *Closed Periods*

No Noteholder may require the transfer of a Note (or part thereof) to be registered during the period of 15 days ending on the due date for any payment of principal or interest.

3 Status of the Notes

(a) *Status*

The Notes and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 3(b)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to

Condition 3(b), at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

(b) Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), [neither the Issuer nor the Guarantor shall]* [the Issuer shall not]** directly or indirectly create or have outstanding any mortgage, charge, lien, pledge, encumbrance or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction (each a “**Security Interest**”), other than a Permitted Security Interest, upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) (other than assets representing some or all of the fund or funds maintained by the Issuer [, the Guarantor]* or any Insurance Subsidiary in respect of any contract of insurance (as defined in the FSMA 2000 (Regulated Activities) Order 2001) or to manage, make or realise investments in the ordinary course of business) to secure any Relevant Indebtedness or any guarantee or indemnity by the Issuer [or the Guarantor]* in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the obligations of the Issuer [and/or the Guarantor, as the case may be,]* under the Notes and the Coupons [(in the case of the Issuer), the Guarantee (in the case of the Guarantor)]* and the Trust Deed [(in both cases)]* (i) are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee or (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided in respect of such obligations either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders and the Couponholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

4 Guarantee

[The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all principal, interest and other sums from time to time which are due and payable in respect of the Notes and the Coupons or under, or pursuant to, the Trust Deed (“**Guaranteed Amounts**”). The obligations of the Guarantor under such guarantee (the “**Guarantee**”) constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(b)) unsecured obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(b), at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.]*

[*This Condition is intentionally left blank.*]**

5 Interest and other Calculations

(a) Interest on Fixed Rate Notes and Fixed to Floating Rate Notes

Each Fixed Rate Note or Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest to (but excluding), (i) in the case of Fixed to Floating Rate Notes, the Fixed Rate End Date specified hereon, and (ii) in the case of Fixed Rate Notes, the Maturity Date specified hereon, and such interest shall be payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) *Interest on Fixed Rate Reset Notes*

Each Fixed Rate Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

and such interest shall be payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 5(g).

Save as otherwise provided herein, the provisions applicable to Fixed Rate Notes shall apply to Fixed Rate Reset Notes.

(c) *Interest on Floating Rate Notes and Fixed to Floating Rate Notes*

- (i) Interest Payment Dates

Each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including), in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall be payable in arrear on each Interest Payment Date in the case of a Floating Rate Note and on each Interest Payment Date commencing after the Fixed Rate End Date specified hereon in the case of a Fixed to Floating Rate Note. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “**Interest Payment Date**” shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first such Interest Payment Date, after the Interest Commencement Date, in the case of a Floating Rate Note, or after the Fixed Rate End Date, in the case of a Fixed to Floating Rate Note.

- (ii) Business Day Convention

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

(iii) Rate of Interest for Floating Rate Notes and Fixed to Floating Rate Notes

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

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

- (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR), on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.
- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the

Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the rate of interest shall be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(d) *Zero Coupon Notes*

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

(e) *Accrual of Interest*

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

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

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Final Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(g) *Calculations*

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

amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination specified hereon.

(h) *Linear Interpolation*

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

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

(i) *Determination and Publication of Rates of Interest and Interest Amounts*

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in any event no later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, [the Guarantor,]* the Issuing and Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful

default or fraud) no liability to the Issuer, [the Guarantor,]* the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(k) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(l) *Definitions*

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

“**Anniversary Date**” means the date specified as such hereon;

“**Applicable Maturity**” has the meaning given to it in Condition 5(h);

“**Benchmark Gilt**” means, in respect of a Reset Period, the Benchmark Gilt specified in the applicable Final Terms or Pricing Supplement or, if no Benchmark Gilt is so specified or if the relevant Benchmark Gilt is no longer outstanding at the relevant time, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, with the advice of the Reset Reference Banks, may determine to be appropriate.

“**Benchmark Gilt Rate**” means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer [and the Guarantor]*.

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

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

“**Business Day Convention**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Broken Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Calculation Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

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

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

where:

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

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

“dealing day” means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

“Eurozone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“First Reset Note Reset Date” means the date specified as such hereon.

“First Reset Period” means the period from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date.

“First Reset Rate of Interest” means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“Fixed Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Fixed Rate End Date” means the date specified as such hereon.

“Floating Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Floating Rate Business Day Convention” has the meaning given to it in Condition 5(c).

“Following Business Day Convention” has the meaning given to it in Condition 5(c).

“Initial Rate of Interest” means the initial rate of interest per annum specified hereon.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date, in respect of the Floating Rate Notes, and the Fixed Rate End Date, in respect of the Fixed to Floating Rate Notes, and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means, in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, Fixed Rate Reset Notes, and, prior to the Fixed Rate End Date, Fixed to Floating Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and, in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

“Interest Payment Date” has the meaning given to it in Condition 5(c).

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

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

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

“ISDA Determination” has the meaning given to it in Condition 5(c).

“ISDA Rate” has the meaning given to it in Condition 5(c).

“Margin” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Mid-Swap Quotations” means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in sterling which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis), unless as otherwise specified hereon;
- (ii) if the Specified Currency is euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon;

- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon; and
- (iv) if the Specified Currency is not sterling, euro or US dollars, for the Fixed Leg (as set out hereon) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a Floating Leg (as set out hereon).

“**Mid-Swap Rate**” means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified hereon) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified hereon) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate;

“**Modified Following Business Day Convention**” has the meaning given to it in Condition 5(c).

“**Preceding Business Day Convention**” has the meaning given to it in Condition 5(c).

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

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

“**Reference Rate**” means LIBOR or EURIBOR, in each case for the relevant period, as specified hereon.

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

“**Reset Determination Date**” means, in respect of a Reset Period, (a) each date specified as such hereon or, if none is so specified, (b) (i) if the Specified Currency is sterling, the first Business Day of such Reset Period, (ii) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period;

“**Reset Margin**” means the margin (expressed as a percentage) specified as such hereon.

“**Reset Note Reset Date**” means every date which falls on each Anniversary Date as may be specified hereon.

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period.

“**Reset Rate**” means (a) if “Mid-Swap Rate” is specified hereon, the relevant Mid-Swap Rate or (b) if “Benchmark Gilt Rate” is specified hereon, the relevant Benchmark Gilt Rate;

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer [and the Guarantor]*.

“**Reset Reference Banks**” means (i) in the case of the calculation of a Reset Reference Bank Rate, five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in consultation with the Issuer [and the Guarantor]* or (ii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Issuer [and the Guarantor]*.

“**Screen Page**” means Reuters screen page “ICESWAP1”, “ICESWAP2”, “ICESWAP3”, “ICESWAP4”, “ICESWAP5” or “ICESWAP6” as specified hereon or such other page on Thomson Reuters as is specified hereon, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates.

“**Screen Rate Determination**” has the meaning given to it in Condition 5(c).

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

“**Subsequent Reset Period**” means each successive period other than the First Reset Period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“**Swap Rate Period**” means the period or periods specified as such hereon.

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

(m) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agent(s) if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where

more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) *Redemption at Maturity*

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

(b) *Early Redemption Amounts*

(i) Zero Coupon Notes

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

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

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), 6(d) or 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(d) on or prior to the expiration of the notice referred to below, and if “Call Option” is specified hereon, the Issuer may at its option, and having given not less than 30 nor more than 60 days’ notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon.

Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer’s option shall be exercised, on the date specified in such notice in accordance with this Condition.

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

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

(d) ***Redemption for Taxation Reasons***

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

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after the Issue Date [(a)]* on the next Interest Payment Date, the Issuer will or would be required to pay Additional Amounts; [or (b) on the next Interest Payment Date, the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and, in making payment of Guaranteed Amounts, will or would be required to pay Additional Amounts;]* and
- (ii) the effect of the foregoing cannot be avoided by the Issuer [or the Guarantor, as the case may be,]* taking reasonable measures available to it,

the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Early Redemption Amount (which, unless otherwise specified hereon, shall be

their principal amount) together with any 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 the Issuer [or, as the case may be, the Guarantor]* would be obliged to pay such additional amounts.

Subject as aforesaid, upon expiry of such notice the Issuer shall redeem the Notes.

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

(e) *Redemption at the Option of Noteholders*

If a Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon together, if applicable with any accrued and unpaid interest to (but excluding) the date of redemption.

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

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

(f) *Purchases*

The Issuer [, the Guarantor and any of the Guarantor's other Subsidiaries]* [and any of its Subsidiaries]** may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in any manner and at any price.

(g) *Cancellation*

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

(h) *Trustee role on redemption; Trustee not obliged to monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of Condition 6(d) and will not be responsible to Noteholders or Couponholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice

pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which Condition 6(d) relates, it shall be entitled to assume that no such event or circumstance exists or has arisen.

(i) *Compliance with stock exchange rules*

In connection with any redemption of the Notes in accordance with this Condition 6, the Issuer [and the Guarantor]* 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 and Talons

(a) *Bearer Notes*

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

(b) *Registered Notes*

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency and to the holder (or to the first named of joint holders) of such Note by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) *Payments in the U.S.*

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

(d) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue

Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

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

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer (for all purposes other than ISDA Determination for Floating Rate Notes, where the Calculation Agent will be specified in the Final Terms or Pricing Supplement, as applicable) and their respective specified offices are listed above. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Calculation Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) a Paying Agent.

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

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

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

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or (where the total value of the unmatured coupons exceeds the nominal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

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

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

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons [, and all payments of Guaranteed Amounts in respect of principal and interest by or on behalf of the Guarantor under the Guarantee,]* shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer [, or, as the case may be, the Guarantor,]* shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) *Other connection*: presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

- (b) *Lawful avoidance of withholding*: presented for payment by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or
- (c) *Presentation more than 30 days after the Relevant Date*: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day after the Relevant Date; or
- (d) *Any combination*: where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

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

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, it pursuant to the Trust Deed (“**Additional Amounts**”).

9 Prescription

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

10 Events of Default and Enforcement

(a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified, prefunded and/or provided with security to its satisfaction) (but, in the case of the occurrence of any of the events described in Condition 10(a), (vii) and (viii) below, only if the Trustee shall have certified in writing to the Issuer [and the Guarantor]* that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer

[and the Guarantor]* that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing (“**Events of Default**”):

- (i) *Non-Payment*: default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (ii) *Breach of Other Obligation*: the Issuer [or the Guarantor]* fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer [or the Guarantor, as the case may be,]* of notice requiring the same to be remedied; or
- (iii) *Cross-Default*: (i) any Indebtedness, other than Indebtedness issued, incurred or subsisting between members of the Group, of the Issuer [, the Guarantor]* or any Material Subsidiary becomes due and payable and is accelerated prior to the stated maturity thereof by reason of any actual or potential event of default or the like (however described); (ii) the Issuer [, the Guarantor]* or any Material Subsidiary fails to make any payment in respect of any Indebtedness, other than Indebtedness issued, incurred or subsisting between members of the Group, on the due date for payment as extended by any originally applicable grace period; (iii) any mortgage, charge, pledge, lien or other encumbrance created or assumed by the Issuer [, the Guarantor]* or any Material Subsidiary for any Indebtedness, other than Indebtedness issued, incurred or subsisting between members of the Group, becomes enforceable and any step is taken to enforce the same; unless the aggregate amount of Indebtedness from time to time outstanding relating to all or any of the above events is less than £50,000,000 (or the equivalent in any other currency); or
- (iv) *Winding-Up*: any order is made by any competent court or resolution is passed for the winding up, liquidation or dissolution of the Issuer [, the Guarantor]* or any Material Subsidiary, save (i) for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution or (ii) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or
- (v) *Cessation of Business*: the Issuer [, the Guarantor]* or the Group ceases or threatens to cease to carry on all or, in the opinion of the Trustee, substantially all of its business, save for the purposes of an amalgamation, merger, consolidation, transfer, reorganisation or restructuring whilst solvent (on terms approved in writing by the Trustee or by an Extraordinary Resolution); or
- (vi) *Insolvency*: (i) the Issuer [, the Guarantor]* or any Material Subsidiary stops or is unable to pay its debts (or any class of its debts) as they fall due, or suspends or threatens to stop payment of its debts, or (ii) proceedings are initiated against the Issuer [, the Guarantor]* or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, examiner, administrator or other similar official, or an administrative or other receiver, manager, examiner, administrator or other similar official is appointed, in relation to the Issuer [, the Guarantor]* or any Material Subsidiary, as the case may be, in relation to all or, in the opinion of the Trustee, substantially all of the undertakings or assets of any of them or an encumbrancer takes possession of all or, in the opinion of the Trustee, substantially all of the undertaking or assets of any of them, or a distress, execution, attachment,

sequestration or other process is levied, enforced upon, sued out or put in force against all or, in the opinion of the Trustee, substantially all of the undertaking or assets of any of them, and (iii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 30 days, save in each case for the purposes of or pursuant to an amalgamation, reorganisation or restructuring of the Issuer [or the Guarantor]* or any Material Subsidiary, as the case may be, whilst solvent; or

- (vii) [*Ownership*: other than in circumstances where the Guarantor (or any previous Substitute Obligor) or Newco is substituted in place of the Issuer as Substitute Obligor in accordance with the provisions of Condition 12, the Issuer ceases to be controlled and majority owned by members of the Group; or]*
- (viii) [*Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer [and the Guarantor]* lawfully to enter into, exercise [their respective]* [its]** rights and perform and comply with [their respective]* [its]** obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of [Ireland and]* the Cayman Islands is not taken, fulfilled or done; or
- (ix) [*Guarantee*: other than in circumstances where the Guarantor (or any previous Substitute Obligor) or Newco is substituted in place of the Issuer as Substitute Obligor in accordance with the provisions of Condition 12, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or]*
- (x) [*Analogous Events*: any event occurs which, under the laws of any relevant jurisdiction, has or may have an analogous effect to any of the events referred to in subparagraphs (iv) and (vi) above.

(b) *Enforcement*

At any time after the Notes become due and payable, the Trustee [(subject to Condition 10(e))]* may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer [and/or the Guarantor]* as it may think fit to enforce the terms of the Trust Deed and the Notes.

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in this Condition 10 against the Issuer [or the Guarantor]* to enforce the terms of the Trust Deed, the Notes or the Coupons or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) *Right of Noteholders and Couponholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer [or the Guarantor]* 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 Noteholders and the Couponholders shall have only such rights against the Issuer [and the Guarantor (as the case may be)]* as those which the Trustee is entitled to exercise as set out in this Condition 10.

(e) *[Non-petition*

None of the Noteholders or Couponholders (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer or join in the institution against the Issuer proceedings in respect of bankruptcy, administration, moratorium, controlled management, arrangement, insolvency, examinership, winding-up, liquidation or insolvency (“**Insolvency Proceedings**”) under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the Notes, the Coupons or the Trust Deed. For the avoidance of doubt, the foregoing shall not restrict the Noteholders or the Couponholders (or any person acting on behalf of any of them) from instituting any other proceedings against the Issuer or obtaining a judgment against the Issuer, even if such judgment may result in the Issuer becoming insolvent, provided such judgement shall not be enforced by instituting Insolvency Proceedings against the Issuer.

No Noteholder or Couponholder shall have any recourse against any Director of the Issuer in their capacity as director of the Issuer in respect of any obligations, covenants or agreements entered into or made by the Issuer in respect of the Notes, the Coupons or the Trust Deed, other than in the case of fraud.]*

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, [the Guarantor,]* the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which falls within the proviso to paragraph 2 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

The agreement or approval of the Noteholders shall not be required in the case of any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer [or the Guarantor]* upon the substitution of a Newco pursuant to Condition 12.

(b) *Modification of the Trust Deed*

In addition to the requirements of Condition 12, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 2 of Schedule 3 to the Trust Deed unless required for any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with the substitution of a Newco pursuant to Condition 12.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders and Couponholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (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 or Couponholder be entitled to claim, from the Issuer, [the Guarantor,]* the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 11 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

12 Substitution

(a) *Discretion to agree to substitution*

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

- (i) to the substitution of [the Guarantor or its successor in business]* [a successor in business of the Issuer]** in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes; or
- (ii) to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes [and,

in such case, the Guarantee shall be terminated (such that the Notes are directly issued by the Insurance Group Parent Entity on an unguaranteed basis)]*; or

- (iii) (subject to the Notes [remaining]* [being]** unconditionally and irrevocably guaranteed on an unsubordinated basis [, in accordance with Condition 4, by the Guarantor]* [by the Issuer]**), to the substitution of a Subsidiary or parent company of the Issuer or its successor in business in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes [; or]* [,]**
- (iv) [to the substitution of a successor in business to the Guarantor in place of the Guarantor or any previous substitute under this Condition 12,]*

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

(b) *Mandatory substitutions*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed[:]* [as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 12), and upon such substitution all references to “the Issuer” hereunder will be construed as references to Newco and the obligations of Phoenix Group Holdings (or the relevant previous substitute) as Issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.]***

- (i) [as Guarantor in place of the Guarantor (or any previous substitute therefor under this Condition 12), and upon such substitution all references to “the Guarantor” hereunder will be construed as references to Newco and the obligations of Phoenix Group Holdings (or the relevant previous substitute) as guarantor under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed), be terminated; or
- (ii) as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 12), and upon such substitution all references to “the Issuer” hereunder will be construed as references to Newco, the Guarantee shall be terminated (such that the Notes are directly issued by Newco on an unguaranteed basis) and the obligations of Phoenix Group Holdings (or the relevant previous substitute) as guarantor and PGH Capital Public Limited Company (or the relevant previous substitute) as Issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.]**

The Trustee shall (at the expense of the Issuer [, failing whom the Guarantor]*) use its reasonable endeavours to co-operate with the Issuer [and the Guarantor]* (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution, including approving, without the need for the consent or approval of the Noteholders or Couponholders, such amendments to these Conditions, the Trust Deed and/or the Agency Agreement as the Trustee considers necessary or expedient in connection with such substitution.

(c) *Change of law*

In the case of a substitution pursuant to this Condition 12, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Notice to Noteholders*

The Issuer [, failing whom the Guarantor,]* will give notice of any substitution pursuant to this Condition 12 to Noteholders in accordance with Condition 16 as soon as reasonably practicable following such substitution.

13 Indemnification of the Trustee and its Contracting with the Issuer [and the Guarantor]*

(a) *Indemnification and protection of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, [the Guarantor,]* the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee contracting with the Issuer [and the Guarantor]**

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

(c) *Reports and certificates*

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

14 Replacement of Notes, Certificates, Coupons and Talons

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

15 Further Issues

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

16 Notices

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to be given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then admitted to trading and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

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

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

18 **Definitions**

As used herein:

“**Acquired Debt**” means, with respect to any specified Person, Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or is acquired by or otherwise becomes a Subsidiary of such specified Person, provided that such Indebtedness is not incurred for the purpose of or to facilitate such other Person merging, consolidating, amalgamating or otherwise combining with or into, or being acquired by or otherwise becoming a Subsidiary of, such specified Person;

“**Additional Amounts**” has the meaning given to it in Condition 8;

“**Additional Financial Centres**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Amortisation Yield**” has the meaning given to it in Condition 6(b) or the relevant Final Terms or Pricing Supplement, as applicable;

“**Amortised Face Amount**” has the meaning given to it in Condition 6(b);

“**Asset Management Subsidiary**” means any member of the Group from time to time which has, for the time being, a permission under Part IV of FSMA to carry out activities under Chapters V, VI, VII, VIII or XII of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and which is not an Insurance Subsidiary (or where such member of the Group conducts or is intending to conduct business outside the UK, a substantially similar permission, to the extent applicable to such business in the relevant jurisdiction) in respect of (without limitation) investment management, asset management and/or investment advice;

“**Asset Management Subsidiary Asset**” means any asset held or managed by an Asset Management Subsidiary on behalf of any member of the Group or for the benefit of a third party which is not a member of the Group;

“**Bearer Notes**” has the meaning given to it in Condition 1;

“**Calculation Agent(s)**” has the meaning given in the preamble to these Conditions or, in the case of Condition 5(c)(iii)(A), as defined therein;

“**Call Option**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Certificates**” has the meaning given in Condition 1;

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

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

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

“**Early Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

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

“**Events of Default**” has the meaning given to it in Condition 10(a);

“**Exercise Notice**” has the meaning given to it in Condition 6(e);

“**Existing Bank Debt**” means existing and future indebtedness incurred or to be incurred pursuant to the revolving credit agreement dated 23 July 2014, as amended and restated on 21 March 2016, between PGH Capital Public Limited Company, Phoenix Group Holdings and Commerzbank Finance & Covered Bond S.A. (as agent), among others as amended, restated and/or extended from time to time;

“**Existing Security Interests**” means any Security Interest existing as at the Issue Date;

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

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

“**Final Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**FSMA**” means the UK Financial Services and Markets Act 2000;

“**Group**” means the Issuer [, the Guarantor and the Guarantor’s]* [and its]** consolidated subsidiaries taken as a whole;

[“**Guarantee**” has the meaning given in Condition 4;

“**Guaranteed Amounts**” has the meaning given in Condition 4;

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

“**Holder**” has the meaning given to it in Condition 1;

“**IFRS**” means International Financial Reporting Standards as set out in the Group’s most recent published financial statements;

“**Indebtedness**” means any indebtedness, in respect of any person for, or in respect of, moneys borrowed or raised including, without limitation and in each case without double counting, (i) any amount raised under any acceptance credit facility, (ii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, (iii) any amount raised under any other transaction (including any forward sale or purchase agreement and the principal component of all obligations, or liquidation preference, of such Person with respect to any preferred stock or redeemable stock (but excluding, in each case, any accrued dividends)) having the economic effect of a borrowing and treated as such under IFRS, (iv) any finance leases, (v) deferred purchase price or conditional sale obligations, (vi) hedging obligations entered into for speculative purposes (but for the avoidance of doubt, excluding hedging obligations entered into other than for speculative purposes), (vii) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person and (viii) the amount of any liability in respect of any guarantee, security or indemnity for any of the items referred to above, including of other Persons;

[“**Insolvency Proceedings**” has the meaning given to it in Condition 10(e);]*

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

“Insurance Group Parent Entity” means Phoenix Life Holdings Limited, or any other Subsidiary or parent company of the Issuer [or the Guarantor]* (or, if applicable, the Issuer [or the Guarantor]* itself) which from time to time constitutes the highest entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

As at the date of this Prospectus, the Insurance Group Parent Entity is Phoenix Life Holdings Limited.

“Insurance Subsidiary” means any member of the Group from time to time which has, for the time being, a permission under Part IV of FSMA (or where such member of the Group conducts or is intending to conduct business outside the UK, a substantially similar permission, to the extent applicable to such business in the relevant jurisdiction) to effect and/or carry out contracts of insurance or in respect of reinsurance, but excluding, for the avoidance of doubt, Investment Vehicles and Share Scheme Vehicles;

“Interest Basis” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“Interest Commencement Date” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“Investment Vehicle” means any entity (whether or not such entity is a body corporate), including compartments thereof, from time to time, in each case provided Investors (as defined below) do not have operational control over the investment activities in respect thereof (save as customarily contained in investment management agreements, mandates or similar arrangements):

- (a) the primary purpose of which is to make investments on behalf of or to raise capital from members of the Group (together, excluding any Asset Management Subsidiary, the **“Investors”**) and/or third party investors to invest in accordance with a defined investment policy (as may be amended from time to time); or
- (b) in which funds from Investors are used to participate in joint ventures; or
- (c) in which funds are invested by any entity described in (a) or (b) above; or
- (d) the primary purpose of which is to act as a general partner, managing limited partner, management company (or other entity with similar purpose) in respect of any entity referred to in paragraphs (a), (b) or (c) above;

“Issue Date” has the meaning given in the preamble of these Conditions;

“Issue Price” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

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

“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);

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

“Maximum Rate of Interest” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“Maximum Redemption Amount” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“Material Subsidiary” means at any time a direct or indirect Subsidiary of the Issuer [or the Guarantor]* which has net assets representing 5 per cent. or more of the consolidated net assets of the Group, calculated on a consolidated basis in accordance with the then most recent audited consolidated financial statements of [the Guarantor,]* [the Issuer,]** unless in each case such Person has transferred all or substantially all of its assets to another Person pursuant to an insurance business transfer scheme made under Part VII of FSMA. If a Person becomes a member of the Group after the end of the financial period to which the most recent published consolidated financial statements of the Group relate, those financial statements shall be adjusted as if that Person had been shown in them by reference to its then latest audited financial statements and until published consolidated financial statements of the Group for the financial period in which the acquisition is made have been published. For the purpose of this definition, a certificate of two directors of [the Guarantor]* [the Issuer]** (whether or not addressed to the Trustee) that in their opinion a Subsidiary of the Issuer [or the Guarantor]* is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

“Maturity Date” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“Member State” means a member of the EEA;

“Minimum Rate of Interest” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“Minimum Redemption Amount” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

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

“Non-recourse Borrowings” means any Indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset (including in respect of value in force, embedded value or analogous financings) in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer [, the Guarantor or any Material Subsidiary of the Guarantor]* [or any Material Subsidiary of the Issuer]** for the repayment thereof other than: (a) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or (b) recourse to such borrower for the purpose only of enabling amounts to be

claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure indebtedness for moneys borrowed, provided that (i) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on such enforcement, and (ii) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys borrowed, to commence proceedings for the winding-up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or (c) recourse to such borrower generally, or directly or indirectly to the Issuer [, the Guarantor or any Material Subsidiary of the Guarantor]* [or any Material Subsidiary of the Issuer]**, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available;

“**Noteholder**” has the meaning given to it in Condition 1;

“**Optional Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Optional Redemption Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**ordinary course of business**” includes, without limitation:

- (a) in respect of an Insurance Subsidiary:
 - (i) inwards or outwards insurance or reinsurance business carried out by such Insurance Subsidiary;
 - (ii) inwards or outwards transfers of insurance policies undertaken by such Insurance Subsidiary under Part VII of FSMA or any successor legislation thereto;
 - (iii) stock lending transactions undertaken by or on behalf of such Insurance Subsidiary;
 - (iv) investment business undertaken by or on behalf of such Insurance Subsidiary; and
 - (v) any other activities carried out in accordance with paragraph 9.1 of the chapter entitled “Conditions Governing Business” of the PRA Rulebook for Solvency II Firms (or any successor thereto or replacement thereof) forming part of the handbook of rules and guidance published by the Prudential Regulation Authority (or any successor thereof) of the United Kingdom;
- (b) in respect of an Asset Management Subsidiary, carrying out asset management activities, investment management activities and/or providing investment advice, and ancillary activities related thereto;
- (c) in respect of members of the Group which are not an Asset Management Subsidiary or an Insurance Subsidiary, carrying out financial investment activities, treasury activities (such as buying and selling securities and other investments, non-speculative hedging activity and related credit support activities, but for the avoidance of doubt excluding the issuance of Indebtedness) and/or service company activities;

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

“**Permitted Security Interest**” means any Security Interest:

- (a) arising by operation of law;

- (b) arising in connection with Non-recourse Borrowings;
- (c) arising in connection with Indebtedness issued, incurred or subsisting between members of the Group;
- (d) arising in respect of deferred payment terms which are paid within six months;
- (e) arising (i) in the ordinary course of business of, or on behalf of, an Insurance Subsidiary or an Asset Management Subsidiary, (ii) (to the extent not already covered by (i)) in respect of any assets representing some or all of the fund or funds maintained by the Issuer [, the Guarantor]* or any Insurance Subsidiary in respect of any contract of insurance (as defined in the FSMA 2000 (Regulated Activities) Order 2001) or (iii) in respect of any Asset Management Subsidiary Asset;
- (f) arising in connection with any pension scheme relating to employees or other staff of any member of the Group;
- (g) under any retention of title arrangements and rights of set-off arising in the ordinary course of the business of the relevant member of the Group with suppliers of goods to any member of the Group;
- (h) under any netting or set-off arrangement or credit support arrangements entered into under any hedging or derivative transaction and not for speculative purposes;
- (i) under any netting or set-off arrangement entered into by a member of the Group in the ordinary course of the Group's banking arrangements;
- (j) over or affecting any asset acquired by a member of the Group which is incurred under arrangements in existence at the date of acquisition, but only for a period of six months from the completion of the acquisition and provided that:
 - (i) such security was not incurred or created in contemplation of the acquisition of that asset; and
 - (ii) the principal amount secured by such security has not been increased in contemplation of, or since the date of, the acquisition of that asset;
- (k) granted in connection with the amendment, restatement and/or extension of any Existing Bank Debt (as amended, restated and/or extended where either the existing borrowers under such Existing Bank Debt remain as borrowers or [the Guarantor]* [the Issuer]** becomes the borrower under such amended and/or extended Indebtedness), subject to the new Security Interest being either:
 - (i) required or deemed beneficial in connection with any regulatory requirement applicable or which will become applicable to any member of the Group; or
 - (ii) on substantially similar terms (and over substantially similar assets) as an Existing Security Interest granted in connection with the same Existing Bank Debt (as so amended, restated and/or extended);
- (l) granted in connection with any Existing Bank Debt subject to the new Security Interest being required or deemed beneficial in connection with any regulatory requirement applicable or which will become applicable to any member of the Group;
- (m) securing Acquired Debt, provided such Security Interest(s) over such Acquired Debt is released within six months of being acquired; or
- (n) securing Indebtedness the principal amount of which (when aggregated with the principal amount of any other Indebtedness which has the benefit of such Security Interests given by any member of the Group other than any permitted under paragraphs (a) to (m) above) does not at any time exceed £20,000,000 (or its equivalent in another currency or currencies);

“**Person**” means any individual, corporation, company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

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

“**Proceedings**” has the meaning given to it in Condition 19(b);

“**Put Option**” has the meaning given to it in the relevant Final Terms and Pricing Supplement;

“**Rate of Interest**” has the meaning given to it in the relevant Final Terms and Pricing Supplement;

“**Record Date**” has the meaning given to it in Condition 7(b);

“**Redemption Basis**” has the meaning given to it in the relevant Final Terms and Pricing Supplement;

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

“**Registered Notes**” has the meaning given to it in Condition 1;

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

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

“**Relevant Date**” has the meaning given in Condition 8;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other similar debt securities which for the time being are, or are intended to be or are capable of being quoted, listed or dealt in or traded on any stock exchange or, with the agreement of the Issuer [, the Guarantor or any Material Subsidiary of the Guarantor]* [or any Material Subsidiary of the Issuer]**, any over-the-counter or other securities market other than Indebtedness which has a stated maturity not exceeding one year;

“**Relevant Jurisdiction**” means [in relation to the Issuer and the Guarantor, Ireland and the United Kingdom and, in addition, in relation to the Guarantor only, the Cayman Islands and Jersey,]* [the Cayman Islands, Jersey and the United Kingdom,]** or in each case any political subdivision or any authority thereof or therein having power to tax or, in either case, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer [or Guarantor, as the case may be,]* becomes subject to tax in respect of payments made by it of principal and/or interest on the Notes [and/or any Guaranteed Amounts]* in respect thereof;

“**Relevant Rules**” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the jurisdiction of the PRA from time to time and applying to the Issuer, [the Guarantor,]* the Insurance Group Parent Entity or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency II and any legislation, rules or regulations relating to such matters which are supplementary or extraneous to the obligations imposed on Member States by Solvency II;

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

“**Security Interest**” has the meaning given in Condition 3(b);

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

“**Share Scheme Vehicles**” means any entity established for the purpose of, or which becomes primarily involved in, share incentive schemes (as structured from time to time) relating to employees or other staff of any member of the Group;

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

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

“**Specified Denomination**” has the meaning given to it in the relevant Final Terms and Pricing Supplement;

“**Subsidiary**” (i) for the purposes of Insurance Group and Insurance Group Parent Entity, has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time) and (ii) otherwise for the purposes of these Conditions, means any corporation, association, partnership, joint venture, limited liability company or other business entity of which more than 50% of the total voting power of shares or other interests (including partnership and joint venture interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary refers to a Subsidiary of [the Guarantor]* [the Issuer]** and, for the purposes of these Conditions, Share Scheme Vehicles and Investment Vehicles shall not at any time constitute Subsidiaries of [the Guarantor]* [the Issuer]**;

“**Substituted Obligor**” has the meaning given to it in Condition 12(a);

“**successor in business**” has the meaning [, with respect to the Issuer or the Guarantor (as the case may be),]* given in the Trust Deed;

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

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

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

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

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

19 Governing Law and Jurisdiction

(a) *Governing law*

The Trust Deed [(including the Guarantee)]*, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed [(including the Guarantee)]*, the Notes, the Coupons and/or the Talons are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (“**Proceedings**”) may be brought in such courts. [Each of

the Issuer and the Guarantor have]* [The Issuer has]** in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (but this is without prejudice to the rights of the Trustee or the Noteholders to commence Proceedings in any jurisdiction and/or concurrent Proceedings in one or more jurisdictions).

[Each of the Issuer and the Guarantor]* [The Issuer]** has appointed Phoenix Life Holdings Limited of 1 Wythall Green Way, Wythall, Birmingham, B47 6WG, United Kingdom as agent for service of process in England. In the event of Phoenix Life Holdings Limited being unable or unwilling for any reason so to act, [each of the Issuer and the Guarantor]* [the Issuer]** will immediately appoint another person as its agent for service of process in England in respect of any Proceedings. [Each of the Issuer and the Guarantor]* [The Issuer]** agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE TIER 3 NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or, in the case of PD Exempt Notes, the relevant Pricing Supplement and except for the paragraphs in italics, shall be applicable to the Tier 3 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Tier 3 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement (as applicable) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions “specified hereon” or “specified as such hereon” shall be to the provisions endorsed on the face of the relevant Note or Certificate or set out in the relevant Final Terms or Pricing Supplement (as applicable). The relevant Pricing Supplement in relation to any Tranche of PD Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of the relevant Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. These Conditions shall be applicable to those Notes which are specified to be “Tier 3 Notes” in the relevant Final Terms or Pricing Supplement. References in the Conditions to “Notes” are to the Tier 3 Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a trust deed originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”)) (the “**Trust Deed**”) between PGH Capital Public Limited Company (“**PGHC**”), Phoenix Group Holdings (the “**Issuer**”) and Citibank, N.A., London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An agency agreement originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between PGHC, the Issuer, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and (unless otherwise set out herein or hereon) the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the “**Coupons**”) relating to interest-bearing Notes in bearer form and, where applicable, in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State in circumstances which require the publication of a Prospectus under the Prospectus Directive (Directive 2003/71/EC, as amended), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

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

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

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

2 Transfers of Registered Notes

(a) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer (as set out in Schedule 1 of the Trust Deed) endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

In the case of an exercise of an Issuer’s option in respect of a holding of Registered Notes represented by a single Certificate or a partial redemption of a holding of Registered Notes represented by a single

Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

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

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

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

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

(e) ***Closed Periods***

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

3 Status of the Notes

(a) ***Status***

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Condition 10.

(b) ***Issuer Winding-Up***

Subject to Condition 3(c), if:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, (A) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by

an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer in accordance with the provisions of Condition 12); or

- (ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer,

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

- (A) at least *pari passu* with (i) all claims of holders of subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which are, or have been, incurred by the Issuer in relation to a financing transaction where some or all of the initial proceeds from the relevant financing transaction have been on-lent by the Issuer or any Subsidiary of the Issuer to any member of the Insurance Group in a form having the necessary features to qualify as Tier 3 Capital as at the date such on-loan is made and (ii) all claims of holders of other subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, *pari passu* with the Notes (and shall include, without limitation and for so long as any of the same shall remain outstanding, the Issuer’s £300,000,000 4.125 per cent. Tier 3 Notes due 2022 (ISIN XS1551285007)) (together, the “**Parity Obligations of the Issuer**”); and
- (B) in priority to (i) the claims of holders which are, or have been, incurred by the Issuer in relation to a financing transaction where some or all of the initial proceeds from the relevant financing transaction have been on-lent by the Issuer or any Subsidiary of the Issuer to any member of the Insurance Group in a form having the necessary features to qualify as Tier 2 Capital as at the date such on-loan is made (and shall include, without limitation and for so long as any of the same shall remain outstanding, the Issuer’s £428,113,000 6.625 per cent. Subordinated Notes due 2025 (ISIN XS1171593293)), (ii) the claims of holders of any undated or perpetual subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee), (iii) the claims of holders of any subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, junior to the Notes and (iv) the claims of holders of all classes of shares in the Issuer (together, the “**Junior Obligations of the Issuer**”).

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

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

(d) ***Solvency Condition***

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring (but subject to Condition 3(c)), all payments under or arising from (including any damages awarded for breach of any obligations under) the Notes, the Coupons or the Trust Deed shall be conditional upon:

- (i) the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable under or arising from the Notes, the Coupons or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter; and
- (ii) the Insurance Group Borrower being solvent at the time for payment by the Issuer and no amount shall be payable under or arising from the Notes, the Coupons or the Trust Deed unless and until such time as the Insurance Group Borrower could, if the Notes were issued by the Insurance Group Borrower, make such payment and still be solvent immediately thereafter (disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 3 On-Loan),

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

As at the date of this Prospectus, the Insurance Group Borrower is Phoenix Life Holdings Limited.

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

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

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

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

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

By acceptance of the Notes and/or the Coupons, and subject to applicable law, each Noteholder and each Couponholder will be deemed to have waived and to have directed and authorised the Trustee on its behalf to have waived any right of set-off or counterclaim that such Noteholder or Couponholder might otherwise have against the Issuer in respect of or arising under the Notes, the Coupons 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 or Couponholder in respect of or arising under the Notes, the Coupons or the Trust Deed are discharged by set-off, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator, trustee, receiver or administrator of the Issuer and, until such time as payment is made, will hold a sum equal to such amount on trust for the Issuer or, if applicable, the liquidator,

trustee, receiver or administrator in the relevant liquidation, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

4 Interest and other Calculations

(a) *Interest on Fixed Rate Notes and Fixed to Floating Rate Notes*

Each Fixed Rate Note or Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest to (but excluding), (i) in the case of Fixed to Floating Rate Notes, the Fixed Rate End Date specified hereon, and (ii) in the case of Fixed Rate Notes, the Maturity Date specified hereon, and such interest shall (subject to Conditions 3(d) and 5) be payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

(b) *Interest on Fixed Rate Reset Notes*

Each Fixed Rate Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

and such interest shall (subject to Conditions 3(d) and 5) be payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

Save as otherwise provided herein, the provisions applicable to Fixed Rate Notes shall apply to Fixed Rate Reset Notes.

(c) *Interest on Floating Rate Notes and Fixed to Floating Rate Notes*

- (i) Interest Payment Dates

Each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including), in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall (subject to Conditions 3(d) and 5) be payable in arrear on each Interest Payment Date in the case of a Floating Rate Note and on each Interest Payment Date commencing after the Fixed Rate End Date specified hereon in the case of a Fixed to Floating Rate Note. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “**Interest Payment Date**” shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first such Interest Payment Date, after the Interest Commencement Date, in the case of a Floating Rate Note, or after the Fixed Rate End Date, in the case of a Fixed to Floating Rate Note.

(ii) Business Day Convention

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

(iii) Rate of Interest for Floating Rate Notes and Fixed to Floating Rate Notes

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

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

- (1) the offered quotation; or

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

quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(d) *Margin, Maximum/Minimum Rates of Interest and Rounding*

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified hereon, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

In setting the Maximum or Minimum Rate of Interest, the Issuer shall have consideration to the limitations set out in any Relevant Rules.

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

(e) *Calculations*

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

amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination specified hereon.

(f) *Linear Interpolation*

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

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

(g) *Determination and Publication of Rates of Interest and Interest Amounts*

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date, to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in any event no later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 4 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud)

no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(i) ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(j) ***Definitions***

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

“**Anniversary Date**” means the date specified as such hereon.

“**Applicable Maturity**” has the meaning given to it in Condition 4(f).

“**Benchmark Gilt**” means, in respect of a Reset Period, the Benchmark Gilt specified in the applicable Final Terms or Pricing Supplement or, if no Benchmark Gilt is so specified or if the relevant Benchmark Gilt is no longer outstanding at the relevant time, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, with the advice of the Reset Reference Banks, may determine to be appropriate.

“**Benchmark Gilt Rate**” means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer.

“**Broken Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

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

“**Business Day Convention**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Calculation Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

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

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

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

where:

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

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

“dealing day” means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

“Eurozone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“First Reset Note Reset Date” means the date specified as such hereon.

“First Reset Period” means the period from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date.

“First Reset Rate of Interest” means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“Fixed Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Fixed Rate End Date” means the date specified as such hereon.

“Floating Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Floating Rate Business Day Convention” has the meaning given to it in Condition 4(c).

“Following Business Day Convention” has the meaning given to it in Condition 4(c).

“Initial Rate of Interest” means the initial rate of interest per annum specified hereon.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date, in respect of the Floating Rate Notes, and the Fixed Rate End Date, in respect of the Fixed to Floating Rate Notes, and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means, in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, Fixed Rate Reset Notes, and, prior to the Fixed Rate End Date, Fixed to Floating Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon

as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and, in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

“**Interest Payment Date**” has the meaning given to it in Condition 4(c).

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

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

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

“**ISDA Determination**” has the meaning given to it in Condition 4(c).

“**ISDA Rate**” has the meaning given to it in Condition 4(c).

“**Margin**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Mid-Swap Quotations**” means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in sterling which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis), unless as otherwise specified hereon;
- (ii) if the Specified Currency is euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon;
- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap

market; and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon; and

- (iv) if the Specified Currency is not sterling, euro or US dollars, for the Fixed Leg (as set out hereon) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a Floating Leg (as set out hereon).

“**Mid-Swap Rate**” means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified hereon) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified hereon) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate.

“**Modified Following Business Day Convention**” has the meaning given to it in Condition 4(c).

“**Preceding Business Day Convention**” has the meaning given to it in Condition 4(c).

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

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

“**Reference Rate**” means LIBOR or EURIBOR, in each case for the relevant period, as specified hereon.

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

“**Reset Determination Date**” means, in respect of a Reset Period, (a) each date specified as such hereon or, if none is so specified, (b) (i) if the Specified Currency is sterling, the first Business Day of such Reset Period, (ii) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period.

“**Reset Margin**” means the margin (expressed as a percentage) specified as such hereon.

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

“**Reset Note Reset Date**” means every date which falls on each Anniversary Date as may be specified hereon.

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period.

“**Reset Rate**” means (a) if “Mid-Swap Rate” is specified hereon, the relevant Mid-Swap Rate or (b) if “Benchmark Gilt Rate” is specified hereon, the relevant Benchmark Gilt Rate.

“Reset Reference Bank Rate” means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer.

“Reset Reference Banks” means (i) in the case of the calculation of a Reset Reference Bank Rate, five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in consultation with the Issuer or (ii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Issuer.

“Screen Page” means Reuters screen page “ICESWAP1”, “ICESWAP2”, “ICESWAP3”, “ICESWAP4”, “ICESWAP5” or “ICESWAP6” as specified hereon or such other page on Thomson Reuters as is specified hereon, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates.

“Screen Rate Determination” has the meaning given to it in Condition 4(c).

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

“Subsequent Reset Period” means each successive period other than the First Reset Period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

“Subsequent Reset Rate of Interest” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“Swap Rate Period” means the period or periods specified as such hereon.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

(k) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agent(s) if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties

under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Deferral of Payments

(a) *Mandatory Deferral of Interest*

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

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

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

(b) *Arrears of Interest*

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

Arrears of Interest shall not themselves bear interest.

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

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

and, if then required under the Relevant Rules, to satisfaction of the Regulatory Clearance Condition) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(a)); or
- (ii) the date on which an Issuer Winding-Up occurs; or
- (iii) the date fixed for any redemption or purchase of Notes by the Issuer pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)) or Condition 10.

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

(d) *Notice of Deferral*

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

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

6 Redemption, Substitution, Variation, Purchase and Options

(a) *Redemption at Maturity*

Subject to Conditions 3(d), 6(b) and 6(i), unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.

(b) *Deferral of redemption date*

- (i) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6(a) or redeemed prior to the Maturity Date pursuant to Condition 6(c), 6(d), 6(e) or 6(f) or purchased pursuant to

Condition 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption or purchase were made on the Maturity Date or, if Condition 6(c), 6(d), 6(e) or 6(f) applies, any date specified for redemption in accordance with such Conditions or, if Condition 6(g) applies, the date of such purchase.

- (ii) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6(a) or on any redemption date pursuant to Condition 6(c), 6(d), 6(e) or 6(f) (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 or immediately after the redemption; or
 - (C) the Regulatory Clearance Condition is not satisfied (to the extent then required under the Relevant Rules) in relation to such redemption; and/or
 - (D) such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

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

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

- (iii) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e) or 6(f) as a result of Condition 6(b)(i) above or Condition 6(i) below, subject (in the case of (A) and (B) only) to Condition 3(d) and to the Regulatory Clearance Condition (if then applicable in accordance with the Relevant Rules) and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e) or (f) together with accrued and unpaid interest to (but excluding) the date fixed for redemption and any Arrears of Interest, upon the earliest of:
- (A) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of this Condition 6(b) shall apply mutatis mutandis to determine the due date for redemption of the Notes); or
 - (B) the date falling 10 Business Days after the relevant regulatory approval for the repayment or redemption of both the Notes (where such approval is required under the Relevant Rules) and the relevant Tier 3 On-Loan (if any) is received; or

- (C) the date on which an Issuer Winding-Up occurs.
- (iv) If on any date Condition 6(b)(i) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), (d), (e) or (f) as a result of the non-satisfaction of the Solvency Condition, subject to Condition 6(i), such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e) or (f) together with accrued but unpaid interest and any Arrears of Interest on the tenth Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(d) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(d), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed then the Notes shall not be redeemed on such date and Conditions 3(d) and 6(b)(iii) shall apply, mutatis mutandis, to determine the date of the redemption of the Notes.
- (v) In addition to any certificate given pursuant to Condition 3(d) in relation to the satisfaction or otherwise of the Solvency Condition, a certificate signed by two Directors of the Issuer delivered to the Trustee confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (C) that any circumstance described in Condition 6(b)(ii)(B) or (C) applies, may (in the absence of manifest error) be treated and accepted by the Trustee as correct and sufficient evidence thereof and shall if so treated and accepted be binding on the Noteholders, the Couponholders and all other interested parties. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.
- (vi) In circumstances where redemption of the Notes has been deferred, the Issuer shall, as soon as reasonably practicable following its determination of the new scheduled redemption date in accordance with this Condition 6(b), give notice to the Trustee and to the Noteholders in accordance with Condition 16 of the new scheduled redemption date (but this shall be without prejudice to further deferral of redemption on such date in the circumstances required by these Conditions).
- (vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(d) or this Condition 6(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(d), 6(e) or 6(f) on or prior to the expiration of the notice referred to below, and if “Call Option” is specified hereon, the Issuer may at its option, subject to Conditions 3(d), 6(b) and 6(i) and having given not less than 30 nor more than 60 days’ notice (or such other notice period as may be specified hereon) to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) redeem all (but not some only) of the Notes on any Optional Redemption Date specified hereon.

Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any accrued and unpaid interest to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest.

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

(d) *Redemption, Substitution or Variation for Taxation Reasons*

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

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after the Issue Date (a) on the next Interest Payment Date, the Issuer will or would be required to pay Additional Amounts; or (b) the Issuer would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or for a material part of such interest) in Jersey or (if the Issuer becomes subject to corporation tax in the United Kingdom) the United Kingdom; or (c) the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction other than the Cayman Islands; and
- (ii) the effect of the foregoing cannot be avoided by the Issuer taking reasonable measures available to it,
- (iii) the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) either:
 - (A) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (x) with respect to Condition 6(d)(i)(a) above, the Issuer would be obliged to pay such additional amounts; (y) with respect to Condition 6(d)(i)(b) above, the Issuer would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or a material part of it would not be so deductible) in Jersey or (if the Issuer becomes subject to corporation tax in the United Kingdom) the United Kingdom, as referred to in Condition 6(d)(i)(b) above; or (z) with respect to Condition 6(d)(i)(c) above, the relevant adverse tax consequence would arise or be suffered, in each case were a payment in respect of the Notes then due; or
 - (B) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of "Qualifying Securities") agree to such substitution or variation.

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

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

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

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
 - (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of "Qualifying Securities") agree to such substitution or variation,
 - (iii) provided, however, that
- (A) the Issuer shall not be entitled to redeem the Notes pursuant to (i) above upon the occurrence of a Capital Disqualification Event if such Capital Disqualification Event has occurred as a result of any change to the terms of, or any replacement of, the relevant Tier 3 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event; and
- (B) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

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

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

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

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount), together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Securities, and the Trustee shall (subject

to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of “Rating Agency Compliant Securities”) agree to such substitution or variation, provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Ratings Methodology Event.

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

(g) Purchases

Subject to Conditions 3(d), 6(b) and 6(i), the Issuer and any of the Issuer’s Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in any manner and at any price.

(h) Cancellation

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

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

(i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 6(d), 6(e) or 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that either:

- (A) one or more of the requirements referred to in Condition 6(d)(i) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and that such Capital Disqualification Event did not occur as a result of any change to the terms of, or any replacement of, the relevant Tier 3 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event; or
- (C) a Ratings Methodology Event has occurred and is continuing as at the date of the certificate,

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

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

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

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

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

The Trustee shall be entitled to accept a certificate from any two Directors of the Issuer to the Trustee confirming whether or not any such compliance is required by the Relevant Rules and, if so, confirming compliance with the relevant requirements shall if so accepted by the Trustee be conclusive and binding on the Issuer, the Noteholders, the Couponholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

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

- (i) Subject to Condition 6(i), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities or Rating Agency Compliant Securities (as applicable) pursuant to this Condition 6, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If

the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 6.

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

(k) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with this Condition 6, 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 and Talons

(a) *Bearer Notes*

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

(b) *Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency and to the holder (or to the first named of joint holders) of such Note by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) *Payments in the U.S.*

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

(d) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer (for all purposes other than ISDA Determination for Floating Rate Notes, where the Calculation Agent will be specified in the Final Terms or Pricing Supplement, as applicable) and their respective specified offices are listed above. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Calculation Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) a Paying Agent.

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

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

(f) *Unmatured Coupons and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note) such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or (where the total value of the unmatured coupons exceeds the nominal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

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

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

8 Taxation

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

- (a) *Other connection*: presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

- (b) *Lawful avoidance of withholding*: presented for payment by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or
- (c) *Presentation more than 30 days after the Relevant Date*: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day after the Relevant Date; or
- (d) *Any combination*: where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

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

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Optional Redemption Amount or Special Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, it pursuant to the Trust Deed (“**Additional Amounts**”).

9 Prescription

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

10 Events of Default and Enforcement

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

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

If (1) default is made by the Issuer for a period of 14 days or more in the payment of any amount due in respect of the Notes or any of them, subject to Conditions 3(d), 5(a), 6(b) or 6(i) or (2) an Issuer Winding-Up occurs, the Trustee at its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction):

- (i) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest; and
- (ii) institute proceedings for the winding-up of the Issuer and/or prove in the relevant winding up or administration of the Issuer and/or claim in the liquidation of the Issuer (in which regard Condition 3(b) will apply),

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

(b) *Enforcement*

Without prejudice to Condition 10(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10(b) shall, however, prevent the Trustee, the Noteholders or the Couponholders from pursuing the remedies to which they are entitled pursuant to Condition 10(a).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre funded to its satisfaction.

(d) *Right of Noteholders and Couponholders*

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

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

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

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

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which falls within the proviso to paragraph 2 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 6(d), 6(e) or 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 12.

(b) *Modification of the Trust Deed*

In addition to the requirements of Conditions 6(d), 6(e), 6(f) and 12, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 2 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 6(d), 6(e), 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 12.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders and Couponholders as a class but

shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (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 or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 11 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

(e) *Notice to the PRA*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied the Regulatory Clearance Condition.

12 Substitution

(a) *Discretion to agree to substitution*

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

- (i) to the substitution of a successor in business of the Issuer in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes; or
- (ii) to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes; or
- (iii) (subject to the Notes being unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer), to the substitution of a Subsidiary or parent company of the Issuer or its successor in business in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes,

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

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

(b) *Mandatory substitutions*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust

Deed as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 12), and upon such substitution all references to “the Issuer” hereunder will be construed as references to Newco and the obligations of Phoenix Group Holdings (or the relevant previous substitute) as Issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution, including approving, without the need for the consent or approval of the Noteholders or Couponholders, such amendments to these Conditions, the Trust Deed and/or the Agency Agreement as the Trustee considers necessary or expedient in connection with such substitution.

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

(c) *Change in law*

In the case of any substitution pursuant to this Condition 12, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed, provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Notice to Noteholders*

The Issuer will give notice of any substitution pursuant to this Condition 12 to Noteholders in accordance with Condition 16 as soon as reasonably practicable following such substitution.

13 Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification and protection of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee contracting with the Issuer*

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

(c) **Reports and certificates**

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

14 Replacement of Notes, Certificates, Coupons and Talons

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

15 Further Issues

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

16 Notices

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to be given on the fourth weekday (being a day other than a Saturday or Sunday) after the

date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed. If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then admitted to trading and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

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

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

18 **Definitions**

As used herein:

“**Additional Amount**” has the meaning given to it in Condition 8;

“**Additional Financial Centres**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Applicable Date**” means either (A) in the case of a redemption pursuant to Condition 6(d)(i)(b) or 6(d)(i)(c), the first Optional Redemption Date or, if no Optional Redemption Date is specified hereon, the Maturity Date or (B) in any other case, the Capital Replacement End Date;

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

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

“**Bearer Notes**” has the meaning given to it in Condition 1;

“**Calculation Agent(s)**” has the meaning given in the preamble to the Conditions or, in the case of Condition 4(c)(iii)(A), as defined therein;

“**Call Option**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

- (a) at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so):
 - (i) in circumstances where the Issuer is not a member of the Insurance Group at that time, no part of the principal amount of the relevant Tier 3 On-Loan counts or qualifies;
 - (ii) in circumstances where the Issuer is a member of the Insurance Group at that time, no part of the principal amount of the Notes counts or qualifies; and/or
 - (iii) in circumstances where the Group has a Solvency Capital Requirement in addition to that of the Insurance Group and the Notes have become Tier 3 Capital of the Group in that context, subsequently no part of the principal amount of the Notes counts or qualifies,

as Tier 3 Capital for the purposes of:

- (A) (in the case of (i) and (ii) above) at least one of the Insurance Group, the Insurance Group Borrower or any other insurance or reinsurance undertaking within the Insurance Group on a solo, group or consolidated basis; or
 - (B) (in the case of paragraph (iii) above) the Group on a group or consolidated basis (whether or not any part of the principal amount of the Notes or the principal amount of the relevant Tier 3 On-Loan is eligible to count or qualify as Tier 3 Capital of the Insurance Group at such time),
- (b) except (in any such case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital; and in the case of paragraph (i) above, the Issuer was unable to prevent such event occurring and is unable to remedy such event without amending the relevant Tier 3 On-Loan by taking reasonable measures available to it; or
 - (c) in the case of (ii) and (iii) above, the Issuer (x) was unable to prevent such event occurring and (y) is unable to remedy such event, in each case by taking reasonable measures available to it.

“**Capital Replacement End Date**” has the meaning given to it in the Final Terms or Pricing Supplement;

“**Certificates**” has the meaning given in Condition 1;

“**Corresponding Payment**” means, with respect to any scheduled payment by the Issuer in respect of the Notes on any date, any corresponding scheduled payment by the Insurance Group Borrower in respect of the relevant Tier 3 On-Loan on or around the same date, and shall more particularly include:

- (a) with respect to any payment of interest (including, without limitation, any Arrears of Interest) in respect of the Notes on any date, the equivalent interest payment scheduled to be paid by the Insurance Group Borrower in respect of the Tier 3 On-Loan on or around the same date; and
- (b) with respect to any payment of principal in respect of the Notes on any date, the equivalent principal repayment scheduled to be made by the Insurance Group Borrower in respect of the Tier 3 On-Loan on or around the same date;

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

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

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

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

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

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

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

“**Final Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

In setting the Final Redemption Amount the Issuer shall have consideration to the limitations set out in any Relevant Rules.

“**Group**” means the Issuer and its Subsidiaries or, if a Newco Scheme has occurred, means Newco and its Subsidiaries;

“**Holder**” has the meaning given to it in Condition 1;

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

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

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

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

“**Insurance Group Borrower**” means, at any time, the entity (being a member of the Insurance Group) which is at such time the borrower under the relevant Tier 3 On-Loan;

As at the date of this Prospectus, any Tier 3 On-Loan is expected to be advanced by the Issuer to Phoenix Life Holdings Limited.

“**Insurance Group Parent Entity**” means Phoenix Life Holdings Limited, or any other Subsidiary or parent company of the Issuer (or, if applicable, the Issuer) which from time to time constitutes the highest entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

As at the date of this Prospectus, the Insurance Group Parent Entity is Phoenix Life Holdings Limited.

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

“**Interest Basis**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Interest Commencement Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Issue Date**” has the meaning given in the preamble of these Conditions;

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

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

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

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

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

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

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

“**Maturity Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such date being specified as being no earlier than the fifth anniversary of the Issue Date);

“**Maximum Rate of Interest**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Member State**” means a member of the EEA;

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

“**Minimum Rate of Interest**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

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

“**Noteholder**” has the meaning given to it in Condition 1;

“**Optional Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Amount being an amount per Note at least equal to the principal amount of the relevant Note);

“**Optional Redemption Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Date being at least five years after the Issue Date);

“Parity Creditors of the Insurance Group Borrower” means creditors of the Insurance Group Borrower whose claims rank, or are expressed to rank, *pari passu* with the claims of the Issuer pursuant to the relevant Tier 3 On-Loan;

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

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

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

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

“Proceedings” has the meaning given to it in Condition 19(b);

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

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Directors of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which are intended to match the then current requirements of the Relevant Rules in relation to Tier 3 Capital insofar as practicable; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank or, if issued by another entity, benefit from a guarantee of the Issuer which ranks, at least *pari passu* with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to the Maturity Date except in circumstances analogous to those referred to in Condition 6(c), 6(d), 6(e) and/or 6(f) of the Notes; (5) preserve any existing rights under these Conditions to any accrued interest, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders but not been paid; and (6) do not include any principal loss absorption provisions, including any provisions which require the write off or write down in whole or in part of the principal amount of such securities or the conversion of such securities in whole or in part into equity; and
- (c) are listed or admitted to trading on the London Stock Exchange’s regulated market (for the purposes of Directive 2004/39/EC) or such other regularly operating, internationally recognised stock exchange in the EEA as selected by the Issuer and approved by the Trustee;

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

“Rating Agency Compliant Securities” means securities which are (i) Qualifying Securities and (ii) assigned substantially the same “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower “equity

credit” (provided such “equity credit” is still higher than the “equity credit” assigned to the Notes immediately after the occurrence of the Ratings Methodology Event) as that which was assigned by the Rating Agency or its predecessor to the Notes on or around the Issue Date and provided that a certification to such effect signed by two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof);

“**Ratings Methodology Call**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Record Date**” has the meaning given to it in Condition 7(b);

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

“**Registered Notes**” has the meaning given to it in Condition 1;

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

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

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

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

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

- (a) any event (including, without limitation, any event which causes any Minimum Capital Requirement applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance Group to be breached and such breach is an event) which under the Relevant Rules means that (i) the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and/or (ii) the Insurance Group Borrower would be required to defer the relevant payment of interest if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 3 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of an interest payment if a Regulatory Deficiency Interest Deferral Event would occur if such interest payment were to be made, such payment shall be deferred if a Regulatory Deficiency Interest Deferral Event would occur as a result of payment of the relevant interest amount by either the Issuer or (on the basis referred to in (ii) above and disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 3 On-Loan) the Insurance Group Borrower); or

- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer a payment of interest (or, if applicable, Arrears of Interest) under the Notes and the PRA not having revoked such notification; or
- (c) the PRA having notified the Insurance Group Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Insurance Group Borrower must defer the Corresponding Payment under the relevant Tier 3 On-Loan and the PRA not having revoked such notification;

“Regulatory Deficiency Redemption Deferral Event” means:

- (a) any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing or any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance Group to be breached and such Insolvent Insurer Winding-up or, as the case may be, such breach is an event) which under the Relevant Rules means that (a) the Issuer must defer or suspend redemption of the Notes and/or (b) the Insurance Group Borrower would be required to suspend or defer redemption of the Notes if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 3 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of redemption if a Regulatory Deficiency Redemption Deferral Event would occur if such redemption (or a redemption payment in respect thereof) were to be made, such redemption shall be deferred if a Regulatory Deficiency Redemption Deferral Event would occur as a result of payment of the relevant redemption amounts by either the Issuer or (on the basis referred to in (b) above and disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 3 On-Loan) the Insurance Group Borrower); or
- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer making a payment of principal under the Notes and the PRA not having revoked such notification; or
- (c) the PRA having notified the Insurance Group Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Insurance Group Borrower must defer the Corresponding Payment under the relevant Tier 3 On-Loan and the PRA not having revoked such notification;

“Relevant Date” has the meaning given in Condition 8;

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

“Relevant Rules” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the jurisdiction of the PRA from time to time and applying to the Issuer, the Insurance Group Parent Entity or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency II and any legislation, rules or regulations relating to such matters which are supplementary or extraneous to the obligations imposed on Member States by Solvency II;

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

“**Senior Creditors of the Insurance Group Borrower**” means policyholders of the Insurance Group Borrower (if any) and any other creditors of the Insurance Group Borrower who are unsubordinated creditors of the Insurance Group Borrower;

“**Senior Creditors of the Issuer**” means policyholders of the Issuer (if any) and any other creditors of the Issuer who are unsubordinated creditors of the Issuer;

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

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

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

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

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

“**Special Redemption Price**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Specified Denomination**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Substituted Obligor**” has the meaning given to it in Condition 12(a);

“**successor in business**” has the meaning given in the Trust Deed;

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

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

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

“**Tier 3 On-Loan**” means the on-loan of the proceeds of the relevant Series of Notes made by the Issuer to the Insurance Group Borrower in a form having the necessary features to qualify as Tier 3 Capital;

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

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

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

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

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

19 Governing Law and Jurisdiction

(a) *Governing law*

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Coupons and/or the Talons are governed by, and shall be construed in accordance with, English law, save that the provisions of Condition 3 relating to the status and subordination of the Notes, the corresponding provisions of the Trust Deed are governed by, and shall be construed in accordance with the laws of the Cayman Islands.

(b) *Jurisdiction*

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

The Issuer has appointed Phoenix Life Holdings Limited of 1 Wythall Green Way, Wythall, Birmingham B47 6WG, United Kingdom as agent for service of process in England. In the event of Phoenix Life Holdings Limited being unable or unwilling for any reason so to act, the Issuer will immediately appoint another person as its agent for service of process in England in respect of any Proceedings. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE TIER 2 NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or, in the case of PD Exempt Notes, the relevant Pricing Supplement and except for the paragraphs in italics, shall be applicable to the Tier 2 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Tier 2 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement (as applicable) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions “specified hereon” or “specified as such hereon” shall be to the provisions endorsed on the face of the relevant Note or Certificate or set out in the relevant Final Terms or Pricing Supplement (as applicable). The relevant Pricing Supplement in relation to any Tranche of PD Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of the relevant Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. These Conditions shall be applicable to those Notes which are specified to be “Tier 2 Notes” in the relevant Final Terms or Pricing Supplement. References in the Conditions to “Notes” are to the Tier 2 Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a trust deed originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”)) (the “**Trust Deed**”) between Phoenix Group Holdings (the “**Issuer**”), PGH Capital Public Limited Company (“**PGHC**”) and Citibank, N.A., London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An agency agreement originally dated 21 December 2016 as amended and restated on 30 March 2017 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, PGHC, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and (unless otherwise set out herein or hereon) the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the “**Coupons**”) relating to interest-bearing Notes in bearer form and, where applicable, in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State in circumstances which require the publication of a Prospectus under the Prospectus Directive (Directive 2003/71/EC, as amended), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

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

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

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

2 Transfers of Registered Notes

(a) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer (as set out in Schedule 1 of the Trust Deed) endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

In the case of an exercise of an Issuer’s option in respect of a holding of Registered Notes represented by a single Certificate or a partial redemption of a holding of Registered Notes represented by a single

Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) *Delivery of New Certificates*

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

(d) *Transfer Free of Charge*

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

(e) *Closed Periods*

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

3 Status of the Notes

(a) *Status*

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Condition 10.

(b) *Issuer Winding-Up*

Subject to Condition 3(c), if:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, (A) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by

an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer in accordance with the provisions of Condition 12); or

- (ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer,

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

- (A) in the case of dated Notes, being Notes with a Maturity Date stated hereon

- (x) at least *pari passu* with (i) all claims of holders of subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which are, or have been, incurred by the Issuer in relation to a financing transaction where some or all of the initial proceeds from the relevant financing transaction have been on-lent by the Issuer or any Subsidiary of the Issuer to any member of the Insurance Group in a form having the necessary features to qualify as Tier 2 Capital as at the date such on-loan is made and (ii) all claims of holders of other subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, *pari passu* with the Notes (and shall include, without limitation and for so long as any of the same shall remain outstanding, the Issuer’s £428,113,000 6.625 per cent. Subordinated Notes due 2025 (ISIN XS1171593293) (the “**2025 Notes**”)) (together, in the case of dated Notes, the “**Parity Obligations of the Issuer**”); and

- (y) in priority to (i) (unless and until the Undated Notes Parity Election is made) the claims of holders of any undated or perpetual subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee), (ii) the claims of holders of any subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, junior to the Notes and (iii) the claims of holders of all classes of shares in the Issuer (together, in the case of dated Notes, the “**Junior Obligations of the Issuer**”); or

- (B) in the case of perpetual Notes, being Notes without a Maturity Date stated hereon

- (x) (unless and until an Undated Notes Parity Election is made) at least *pari passu* with all claims of holders of undated or perpetual subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) and (following the making of an Undated Notes Parity Election, if any) at least *pari passu* with (i) all claims of holders of subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which are, or have been, incurred by the Issuer in relation to a financing transaction where some or all of the initial proceeds from the relevant financing transaction have been on-lent by the Issuer or any Subsidiary of the Issuer to any member of the Insurance Group in a form having the necessary features to qualify as Tier 2 Capital as at the date such on-loan is

made and (ii) all claims of holders of other subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, *pari passu* with the Notes (together, in the case of perpetual Notes, the “**Parity Obligations of the Issuer**”); and

(y) in priority to (i) the claims of holders of any subordinated obligations of the Issuer (including, without limitation, obligations pursuant to a guarantee) which rank, or are expressed to rank, junior to the Notes and (ii) the claims of holders of all classes of shares in the Issuer (together, in the case of perpetual Notes, the “**Junior Obligations of the Issuer**”).

(C) The Issuer may elect to elevate the ranking of the perpetual Notes such that they rank *pari passu* with the claims of holders of dated subordinated Notes of the Issuer which are, or have the necessary features to qualify as, Tier 2 Capital of the Issuer as at their respective dates of issue (an “**Undated Notes Parity Election**”). Subject to satisfaction of the Regulatory Clearance Condition and without the need for consent from the Couponholders, the Noteholders or the Trustee, the Issuer may make the Undated Notes Parity Election by giving notice thereof to the Noteholders in accordance with Condition 16 and to the Trustee, the Issuing and Paying Agent and the Registrar. The Undated Notes Parity Election shall take effect on the date such notice is given to the Noteholders in accordance with this Condition 3(b).

No Undated Notes Parity Election can take effect prior to the 2025 Notes having been redeemed.

(c) No Prejudice to Trustee Remuneration

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

(d) Solvency Condition

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring (but subject to Condition 3(c)), all payments under or arising from (including any damages awarded for breach of any obligations under) the Notes, the Coupons or the Trust Deed shall be conditional upon:

- (i) the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable under or arising from the Notes, the Coupons or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter; and
- (ii) the Insurance Group Borrower being solvent at the time for payment by the Issuer and no amount shall be payable under or arising from the Notes, the Coupons or the Trust Deed unless and until such time as the Insurance Group Borrower could, if the Notes were issued by the Insurance Group Borrower, make such payment and still be solvent immediately thereafter (disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 2 On-Loan),

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

As at the date of this Prospectus, the Insurance Group Borrower is Phoenix Life Holdings Limited.

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

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

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

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

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

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

4 Interest and other Calculations

(a) ***Interest on Fixed Rate Notes and Fixed to Floating Rate Notes***

Each Fixed Rate Note or Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest to (but excluding), (i) in the case of Fixed to Floating Rate Notes, the Fixed Rate End Date specified hereon, and (ii) in the case of Fixed Rate Notes, the Maturity Date (if applicable) specified hereon, and such interest shall (subject to Conditions 3(d) and 5) be payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

(b) Interest on Fixed Rate Reset Notes

Each Fixed Rate Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

and such interest shall (subject to Conditions 3(d) and 5) be payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

Save as otherwise provided herein, the provisions applicable to Fixed Rate Notes shall apply to Fixed Rate Reset Notes.

(c) Interest on Floating Rate Notes and Fixed to Floating Rate Notes

- (i) Interest Payment Dates

Each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including), in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall (subject to Conditions 3(d) and 5) be payable in arrear on each Interest Payment Date in the case of a Floating Rate Note and on each Interest Payment Date commencing after the Fixed Rate End Date specified hereon in the case of a Fixed to Floating Rate Note. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “**Interest Payment Date**” shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first such Interest Payment Date, after the Interest Commencement Date, in the case of a Floating Rate Note, or after the Fixed Rate End Date, in the case of a Fixed to Floating Rate Note.

- (ii) Business Day Convention

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

Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes and Fixed to Floating Rate Notes

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(d) *Margin, Maximum/Minimum Rates of Interest and Rounding*

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified hereon, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

In setting the Maximum or Minimum Rate of Interest, the Issuer shall have consideration to the limitations set out in any Relevant Rules.

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

(e) *Calculations*

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

(f) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual

Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(g) *Determination and Publication of Rates of Interest and Interest Amounts*

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date, to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in any event no later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 4 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

(i) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(j) **Definitions**

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

“**Anniversary Date**” means the date specified as such hereon.

“**Applicable Maturity**” has the meaning given to it in Condition 4(f).

“**Benchmark Gilt**” means, in respect of a Reset Period, the Benchmark Gilt specified in the applicable Final Terms or Pricing Supplement or, if no Benchmark Gilt is so specified or if the relevant Benchmark Gilt is no longer outstanding at the relevant time, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, with the advice of the Reset Reference Banks, may determine to be appropriate.

“**Benchmark Gilt Rate**” means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer.

“**Broken Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Business Day**” means:

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

“**Business Day Convention**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Calculation Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

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

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

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

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

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

where:

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

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

“dealing day” means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

“Eurozone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“First Reset Note Reset Date” means the date specified as such hereon.

“First Reset Period” means the period from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date.

“First Reset Rate of Interest” means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“Fixed Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Fixed Rate End Date” means the date specified as such hereon.

“Floating Leg” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“Floating Rate Business Day Convention” has the meaning given to it in Condition 4(c).

“Following Business Day Convention” has the meaning given to it in Condition 4(c).

“Initial Rate of Interest” means the initial rate of interest per annum specified hereon.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date, in respect of the Floating Rate Notes, and the Fixed Rate End Date, in respect of the Fixed to Floating Rate Notes, and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means, in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, Fixed Rate Reset Notes, and, prior to the Fixed Rate End Date, Fixed to Floating Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and, in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified: (i) the first day of such Interest Accrual

Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Payment Date**” has the meaning given to it in Condition 4(c).

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

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

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

“**ISDA Determination**” has the meaning given to it in Condition 4(c).

“**ISDA Rate**” has the meaning given to it in Condition 4(c).

“**Margin**” has the meaning given to it in the relevant Final Terms or Pricing Supplement.

“**Mid-Swap Quotations**” means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in sterling which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis), unless as otherwise specified hereon;
- (ii) if the Specified Currency is euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon;
- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon; and
- (iv) if the Specified Currency is not sterling, euro or US dollars, for the Fixed Leg (as set out hereon) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant

market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a Floating Leg (as set out hereon).

“**Mid-Swap Rate**” means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified hereon) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified hereon) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate.

“**Modified Following Business Day Convention**” has the meaning given to it in Condition 4(c).

“**Preceding Business Day Convention**” has the meaning given to it in Condition 4(c).

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

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

“**Reference Rate**” means LIBOR or EURIBOR, in each case for the relevant period, as specified hereon.

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

“**Reset Determination Date**” means, in respect of a Reset Period, (a) each date specified as such hereon or, if none is so specified, (b) (i) if the Specified Currency is sterling, the first Business Day of such Reset Period, (ii) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period.

“**Reset Margin**” means the margin (expressed as a percentage) specified as such hereon.

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

“**Reset Note Reset Date**” means every date which falls on each Anniversary Date as may be specified hereon.

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period.

“**Reset Rate**” means (a) if “Mid-Swap Rate” is specified hereon, the relevant Mid-Swap Rate or (b) if “Benchmark Gilt Rate” is specified hereon, the relevant Benchmark Gilt Rate.

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest)

and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer.

“Reset Reference Banks” means (i) in the case of the calculation of a Reset Reference Bank Rate, five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in consultation with the Issuer or (ii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Issuer.

“Screen Page” means Reuters screen page “ICESWAP1”, “ICESWAP2”, “ICESWAP3”, “ICESWAP4”, “ICESWAP5” or “ICESWAP6” as specified hereon or such other page on Thomson Reuters as is specified hereon, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates.

“Screen Rate Determination” has the meaning given to it in Condition 4(c).

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

“Subsequent Reset Period” means each successive period other than the First Reset Period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

“Subsequent Reset Rate of Interest” means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin.

“Swap Rate Period” means the period or periods specified as such hereon.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

(k) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agent(s) if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its

principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Deferral of Payments

(a) *Optional Deferral of Interest*

If “Optional Interest Payment Date” is specified as being applicable hereon, the Issuer may elect in respect of any Optional Interest Payment Date by notice to the Noteholders, the Paying Agents and the Trustee pursuant to Condition 5(e) below, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

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

(b) *Mandatory Deferral of Interest*

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

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

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

(c) *Arrears of Interest*

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

Arrears of Interest shall not themselves bear interest.

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

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

- (i) the next Interest Payment Date which is not a Regulatory Deficiency Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(b)) and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest); or
- (ii) the date on which an Issuer Winding-Up occurs; or
- (iii) the date fixed for any redemption or purchase of Notes by the Issuer pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)) or Condition 10.

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

(e) *Notice of Deferral*

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

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a) above;
- (ii) if that Interest Payment Date is a Regulatory Deficiency Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs or is determined to occur (or if a determination that a Regulatory Deficiency Interest Deferral Event would occur if the relevant interest payment were to be made is made) less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event (and, in either case, such notice shall specify that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were made on such Interest Payment Date); or
- (iii) if payment of any interest will not become due on such Interest Payment Date as a result of a failure to satisfy the Solvency Condition, provided that if the circumstances resulting in non-satisfaction of the Solvency Condition occur, or are determined to occur, less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event (and in either case such notice shall specify that interest will not be paid as a result of non-satisfaction of the Solvency Condition).

6 Redemption, Substitution, Variation, Purchase and Options

(a) *Redemption at Maturity*

Subject to Conditions 3(d), 6(b) and 6(i), unless previously redeemed or purchased and cancelled as provided below, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.

(b) *Deferral of redemption date*

- (i) No Notes shall be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or redeemed prior to the Maturity Date (if any) pursuant to Condition 6(c), 6(d), 6(e) or 6(f) or purchased pursuant to Condition 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption or purchase were made on, if Condition 6(a) applies, the Maturity Date or, if Condition 6(c), 6(d), 6(e) or 6(f) applies, any date specified for redemption in accordance with such Conditions or, if Condition 6(g) applies, the date of such purchase.
- (ii) If the Notes are not to be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or on any redemption date pursuant to Condition 6(c), 6(d), 6(e) or 6(f) (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 or immediately after the redemption; or
 - (C) the Regulatory Clearance Condition is not satisfied (to the extent then required under the Relevant Rules) in relation to such redemption; and/or
 - (D) such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

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

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

- (iii) If redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e) or 6(f) as a result of Condition 6(b)(i) above or Condition 6(i) below, subject (in the case of (A) and (B) only) to Condition 3(d) and to the Regulatory Clearance Condition (if then applicable in accordance with the Relevant Rules) and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price

specified in Condition 6(c), (d), (e) or (f) together with accrued and unpaid interest to (but excluding) the date fixed for redemption and any Arrears of Interest, upon the earliest of:

- (A) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of this Condition 6(b) shall apply *mutatis mutandis* to determine the due date for redemption of the Notes); or
 - (B) the date falling 10 Business Days after the relevant regulatory approval for the repayment or redemption of both the Notes (where such approval is required under the Relevant Rules) and the relevant Tier 2 On-Loan (if any) is received; or
 - (C) the date on which an Issuer Winding-Up occurs.
- (iv) If on any date Condition 6(b)(i) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), (d), (e) or (f) as a result of the non-satisfaction of the Solvency Condition, subject to Condition 6(i), such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e) or (f) together with accrued but unpaid interest and any Arrears of Interest on the tenth Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(d) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(d), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed then the Notes shall not be redeemed on such date and Conditions 3(d) and 6(b)(iii) shall apply, *mutatis mutandis*, to determine the date of the redemption of the Notes.
- (v) In addition to any certificate given pursuant to Condition 3(d) in relation to the satisfaction or otherwise of the Solvency Condition, a certificate signed by two Directors of the Issuer delivered to the Trustee confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (C) that any circumstance described in Condition 6(b)(ii)(B) or (C) applies, may (in the absence of manifest error) be treated and accepted by the Trustee as correct and sufficient evidence thereof and shall if so treated and accepted be binding on the Noteholders, the Couponholders and all other interested parties. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.
- (vi) In circumstances where redemption of the Notes has been deferred, the Issuer shall, as soon as reasonably practicable following its determination of the new scheduled redemption date in accordance with this Condition 6(b), give notice to the Trustee and to the Noteholders in accordance with Condition 16 of the new scheduled redemption date (but this shall be without prejudice to further deferral of redemption on such date in the circumstances required by these Conditions).
- (vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(d) or this Condition 6(b) will not

constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(d), 6(e) or 6(f) on or prior to the expiration of the notice referred to below, and if “Call Option” is specified hereon, the Issuer may at its option, subject to Conditions 3(d), 6(b) and 6(i) and having given not less than 30 nor more than 60 days’ notice (or such other notice period as may be specified hereon) to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) redeem all (but not some only) of the Notes on any Optional Redemption Date specified hereon.

Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any accrued and unpaid interest to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest.

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

(d) *Redemption, Substitution or Variation for Taxation Reasons*

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

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

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

- (A) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (x) with respect to Condition 6(d)(i)(a) above, the Issuer would be obliged to pay such additional amounts; (y) with respect to Condition 6(d)(i)(b) above, the Issuer would not be able to claim a deduction from taxable profits for corporation tax purposes for or in respect of interest payable on the Notes (or a material

part of it would not be so deductible) in Jersey or (if the Issuer becomes subject to corporation tax in the United Kingdom) the United Kingdom, as referred to in Condition 6(d)(i)(b) above; or (z) with respect to Condition 6(d)(i)(c) above, the relevant adverse tax consequence would arise or be suffered, in each case were a payment in respect of the Notes then due; or

- (B) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of “Qualifying Securities”) agree to such substitution or variation.

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

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

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

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of “Qualifying Securities”) agree to such substitution or variation,

provided, however, that

- (A) the Issuer shall not be entitled to redeem the Notes pursuant to (i) above upon the occurrence of a Capital Disqualification Event if such Capital Disqualification Event has occurred as a result of any change to the terms of, or any replacement of, the relevant Tier 2 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event; and
- (B) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

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

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

Subject to Conditions 3(d), 6(b) and 6(i), if “Ratings Methodology Call” is specified as being applicable hereon and a Ratings Methodology Event has occurred and is continuing, or the Issuer satisfies the Trustee that, as a result of any change in, or amendment to, or any change in the application of, any applicable methodology of the Rating Agency, a Ratings Methodology Event will occur within a period

of six months, then the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount), together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 6(i)(i) below and in the definition of "Rating Agency Compliant Securities") agree to such substitution or variation,

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

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

(g) *Purchases*

Subject to Conditions 3(d), 6(b) and 6(i), the Issuer and any of the Issuer's Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in any manner and at any price.

(h) *Cancellation*

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

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

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 6(d), 6(e) or 6(f), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that either:
 - (A) one or more of the requirements referred to in Condition 6(d)(i) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (B) a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and that such Capital Disqualification Event did not occur as a result of any change to the terms of, or any replacement of, the relevant Tier 2 On-Loan which, at the time of such change or replacement, would, or would be reasonably likely to, result in the occurrence of a Capital Disqualification Event; or

- (C) a Ratings Methodology Event has occurred and is continuing as at the date of the certificate,
- (D) and, in the case of any redemption before the Applicable Date, it would have been reasonable for the Issuer to conclude, judged at the Issue Date, that the circumstance entitling the Issuer to exercise the right of redemption was not reasonably foreseeable.

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

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

- (ii) Any purchase of Notes by the Issuer or any Subsidiary of the Issuer, any redemption of the Notes and any substitution or variation of the Notes will, if and to the extent then required by the Relevant Rules, be conditional upon:
 - (A) the Issuer and the Insurance Group being in continued compliance with the Regulatory Capital Requirements (if any) applicable to them;
 - (B) the Issuer having complied with the Regulatory Clearance Condition;
 - (C) in the case of any redemption or purchase of the Notes prior to the Capital Replacement End Date (being the fifth anniversary of the Issue Date or such later date otherwise specified hereon), the redemption or purchase being funded (to the extent then required by the PRA pursuant to the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes (being capital with the necessary features of Tier 2 Capital) or a better quality form of regulatory capital and being otherwise permitted under the Relevant Rules; and
 - (D) compliance with any other applicable requirements of the Relevant Rules regarding redemption, purchase, substitution or variation (as the case may be) of the Notes.

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

The Trustee shall be entitled to accept a certificate from any two Directors of the Issuer to the Trustee confirming whether or not any such compliance is required by the Relevant Rules and, if so, confirming compliance with the relevant requirements shall if so accepted by the Trustee be conclusive and binding on the Noteholders, the Couponholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

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

- (i) Subject to Condition 6(i), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities or Rating Agency Compliant Securities (as applicable) pursuant to this Condition 6, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 6.
- (ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 6 and will not be responsible to Noteholders or the Couponholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 6 relates, it shall be entitled to assume that no such event or circumstance exists or has arisen.

(k) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with this Condition 6, 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 and Talons

(a) *Bearer Notes*

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

(b) *Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency and to the holder (or to the first

named of joint holders) of such Note by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) *Payments in the U.S.*

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

(d) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer (for all purposes other than ISDA Determination for Floating Rate Notes, where the Calculation Agent will be specified in the Final Terms or Pricing Supplement, as applicable) and their respective specified offices are listed above. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Calculation Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) a Paying Agent.

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

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

(f) *Unmatured Coupons and unexchanged Talons*

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note) such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in

full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or (where the total value of the unmatured coupons exceeds the nominal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date (if one is specified hereon) shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

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

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

- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

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

- (a) *Other connection*: presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) *Lawful avoidance of withholding*: presented for payment by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or
- (c) *Presentation more than 30 days after the Relevant Date*: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day after the Relevant Date; or
- (d) *Any combination*: where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

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

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Optional Redemption Amount or Special Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, it pursuant to the Trust Deed (“**Additional Amounts**”).

9 Prescription

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

10 Events of Default and Enforcement

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

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

If (1) default is made by the Issuer for a period of 14 days or more in the payment of any amount due in respect of the Notes or any of them, subject to Condition 3(d), 5(a) (if applicable), 5(b), 6(b) or 6(i) or (2) an Issuer Winding-Up occurs, the Trustee at its discretion may, and if so requested by Noteholders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction):

- (i) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest; and
- (ii) institute proceedings for the winding-up of the Issuer and/or prove in the relevant winding up or administration of the Issuer and/or claim in the liquidation of the Issuer (in which regard Condition 3(b) will apply),

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

(b) *Enforcement*

Without prejudice to Condition 10(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10(b) shall, however, prevent the Trustee, the Noteholders or the Couponholders from pursuing the remedies to which they are entitled pursuant to Condition 10(a).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre funded to its satisfaction.

(d) *Right of Noteholders and Couponholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding up or claim in the liquidation of the Issuer or to prove in such winding up unless the Trustee, having become so bound to proceed or being able to prove in such winding up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing,

in which case the Noteholders and the Couponholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

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

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

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

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which falls within the proviso to paragraph 2 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 6(d), 6(e) or 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 12.

(b) *Modification of the Trust Deed*

In addition to the requirements of Conditions 6(d), 6(e), 6(f) and 12, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation

of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 2 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 6(d), 6(e), 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 12.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders and Couponholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (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 or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 11 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

(e) *Notice to the PRA*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied the Regulatory Clearance Condition.

12 Substitution

(a) *Discretion to agree to substitution*

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

- (i) to the substitution of a successor in business of the Issuer in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes; or
- (ii) to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes; or

- (iii) (subject to the Notes being unconditionally and irrevocably guaranteed on a subordinated basis by the Issuer), to the substitution of a Subsidiary or parent company of the Issuer or its successor in business in place of the Issuer or any previous substitute under this Condition 12 as principal debtor under the Trust Deed and the Notes,

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

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

(b) *Mandatory substitutions*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 12), and upon such substitution all references to “the Issuer” hereunder will be construed as references to Newco and the obligations of Phoenix Group Holdings (or the relevant previous substitute) as Issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution, including approving, without the need for the consent or approval of the Noteholders or Couponholders, such amendments to these Conditions, the Trust Deed and/or the Agency Agreement as the Trustee considers necessary or expedient in connection with such substitution.

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

(c) *Change in law*

In the case of any substitution pursuant to this Condition 12, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed, provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Notice to Noteholders*

The Issuer will give notice of any substitution pursuant to this Condition 12 to Noteholders in accordance with Condition 16 as soon as reasonably practicable following such substitution.

13 Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification and protection of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the

financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee contracting with the Issuer*

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

(c) *Reports and certificates*

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

14 Replacement of Notes, Certificates, Coupons and Talons

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

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest on them and the date from which interest starts

to accrue) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any Series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Issue Date shall be to the Issue Date of the first Tranche of Notes of any Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any Series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other Series where the Trustee so decides.

16 Notices

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to be given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed. If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then admitted to trading and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

17 Contracts (Rights of Third Parties) Act 1999

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

18 Definitions

As used herein:

“**2025 Notes**” has the meaning given to it in Condition 3(b);

“**Additional Amount**” has the meaning given to it in Condition 8;

“**Additional Financial Centres**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Applicable Date**” means either (A) in the case of a redemption pursuant to Condition 6(d)(i)(b) or 6(d)(i)(c), the first Optional Redemption Date or, if no Optional Redemption Date is specified hereon, the Maturity Date or (B) in any other case, the Capital Replacement End Date;

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

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

“**Bearer Notes**” has the meaning given to it in Condition 1;

“**Calculation Agent(s)**” has the meaning given in the preamble to the Conditions or, in the case of Condition 4(c)(iii)(A), as defined therein;

“**Call Option**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

(a) at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so):

- (i) in circumstances where the Issuer is not a member of the Insurance Group at that time, no part of the principal amount of the relevant Tier 2 On-Loan counts or qualifies;
- (ii) in circumstances where the Issuer is a member of the Insurance Group at that time, no part of the principal amount of the Notes counts or qualifies; and/or
- (iii) in circumstances where the Group has a Solvency Capital Requirement in addition to that of the Insurance Group and the Notes have become Tier 2 Capital of the Group in that context, subsequently no part of the principal amount of the Notes counts or qualifies,

as Tier 2 Capital for the purposes of:

- (A) (in the case of (i) and (ii) above) at least one of the Insurance Group, the Insurance Group Borrower or any other insurance or reinsurance undertaking within the Insurance Group on a solo, group or consolidated basis; or
- (B) (in the case of (iii) above) the Group on a group or consolidated basis (whether or not any part of the principal amount of the Notes or the principal amount of the relevant Tier 2 On-Loan is eligible to count or qualify as Tier 2 Capital of the Insurance Group at such time),

except (in any such case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital; and

(b) in the case of (i) above, the Issuer was unable to prevent such event occurring and is unable to remedy such event without amending the relevant Tier 2 On-Loan by taking reasonable measures available to it; or

(c) in the case of (ii) and (iii) above, the Issuer (x) was unable to prevent such event occurring and (y) is unable to remedy such event, in each case by taking reasonable measures available to it.

“**Capital Replacement End Date**” has the meaning given to it in the Final Terms or Pricing Supplement;

“**Certificates**” has the meaning given in Condition 1;

“Compulsory Interest Payment Date” means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made in compliance with the Solvency Condition; and (iii) which is not a Regulatory Deficiency Interest Deferral Date;

“Compulsory Interest Payment Event” means:

- (a) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (b) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Obligations of the Issuer, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, their terms; or
- (c) any repurchase by the Issuer of any of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer; or
- (d) any redemption or purchase by the Issuer or any Subsidiary of the Issuer of any other Junior Obligations of the Issuer for cash, except (i) a redemption required to be effected under, or in accordance with, their terms and/or (ii) any purchase by a Subsidiary of the Issuer where neither the Issuer nor the Insurance Group Parent Entity has operational control over the investment activities thereof and where such purchase is not made at the direction of, or for the benefit of, the Issuer;

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

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

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

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

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

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

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

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

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

“Final Redemption Amount” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

In setting the Final Redemption Amount the Issuer shall have consideration to the limitations set out in any Relevant Rules.

“**Group**” means the Issuer and its Subsidiaries or, if a Newco Scheme has occurred, means Newco and its Subsidiaries;

“**Holder**” has the meaning given to it in Condition 1;

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

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

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

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

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

As at the date of this Prospectus, any Tier 2 On-Loan is expected to be advanced by the Issuer to Phoenix Life Holdings Limited.

“**Insurance Group Parent Entity**” means Phoenix Life Holdings Limited, or any other Subsidiary or parent company of the Issuer (or, if applicable, the Issuer itself) which from time to time constitutes the highest entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

As at the date of this Prospectus, the Insurance Group Parent Entity is Phoenix Life Holdings Limited.

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

“**Interest Basis**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Interest Commencement Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Issue Date**” has the meaning given in the preamble of these Conditions;

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

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

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

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

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

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

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

“**Maturity Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such date being specified as being no earlier than the tenth anniversary of the Issue Date);

“**Maximum Rate of Interest**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Member State**” means a member of the EEA;

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

“**Minimum Rate of Interest**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

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

“**Noteholder**” has the meaning given to it in Condition 1;

“**Optional Interest Payment Date**” means any Interest Payment Date other than a Compulsory Interest Payment Date or a Regulatory Deficiency Interest Deferral Date;

“**Optional Redemption Amount**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Amount being an amount per Note at least equal to the principal amount of the relevant Note);

“**Optional Redemption Date**” has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Date being at least five years after the Issue Date);

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

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

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

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

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

“Proceedings” has the meaning given to it in Condition 19(b);

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

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Directors of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which are intended to match the then current requirements of the Relevant Rules in relation to Tier 2 Capital insofar as practicable; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank or, if issued by another entity, benefit from a guarantee of the Issuer which ranks, at least *pari passu* with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to the Maturity Date except in circumstances analogous to those referred to in Condition 6(c), 6(d), 6(e) and/or 6(f) of the Notes; (5) preserve any existing rights under these Conditions to any accrued interest, any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders but not been paid; and (6) do not include any principal loss absorption provisions, including any provisions which require the write off or write down in whole or in part of the principal amount of such securities or the conversion of such securities in whole or in part into equity; and
- (c) are listed or admitted to trading on the London Stock Exchange’s regulated market (for the purposes of Directive 2004/39/EC) or such other regularly operating, internationally recognised stock exchange in the EEA as selected by the Issuer and approved by the Trustee;

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

“Rating Agency Compliant Securities” means securities which are (i) Qualifying Securities and (ii) assigned substantially the same “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower “equity credit” (provided such “equity credit” is still higher than the “equity credit” assigned to the Notes immediately after the occurrence of the Ratings Methodology Event) as that which was assigned by the Rating Agency or its predecessor to the Notes on or around the Issue Date and provided that a certification to such effect signed

by two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof);

“**Ratings Methodology Call**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Record Date**” has the meaning given to it in Condition 7(b);

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

“**Registered Notes**” has the meaning given to it in Condition 1;

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

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

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

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

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

- (a) any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance Group to be breached and such breach is an event) which under the Relevant Rules means that (a) the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and/or (b) the Insurance Group Borrower would be required to defer the relevant payment of interest if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 2 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of an interest payment if a Regulatory Deficiency Interest Deferral Event would occur if such interest payment were to be made, such payment shall be deferred if a Regulatory Deficiency Interest Deferral Event would occur as a result of payment of the relevant interest amount by either the Issuer or (on the basis referred to in (b) above and disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 2 On-Loan) the Insurance Group Borrower); or

- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer a payment of interest (or, if applicable, Arrears of Interest) under the Notes and the PRA not having revoked such notification; or
- (c) the PRA having notified the Insurance Group Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Insurance Group Borrower must defer the Corresponding Payment under the relevant Tier 2 On-Loan and the PRA not having revoked such notification;

“Regulatory Deficiency Redemption Deferral Event” means:

- (a) any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing or any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Insurance Group Parent Entity, any Subsidiary of the Insurance Group Parent Entity, the Insurance Group Borrower or the Insurance Group to be breached and such Insolvent Insurer Winding-up or, as the case may be, such breach is an event) which under the Relevant Rules means that (a) the Issuer must defer or suspend redemption of the Notes and/or (b) the Insurance Group Borrower would be required to suspend or defer redemption of the Notes if the Notes were issued by the Insurance Group Borrower, and qualified as Tier 2 Capital of the Insurance Group Borrower and/or the Insurance Group (and, for the avoidance of doubt, where these Conditions provide for mandatory deferral of redemption if a Regulatory Deficiency Redemption Deferral Event would occur if such redemption (or a redemption payment in respect thereof) were to be made, such redemption shall be deferred if a Regulatory Deficiency Redemption Deferral Event would occur as a result of payment of the relevant redemption amounts by either the Issuer or (on the basis referred to in (b) above and disregarding, for this purpose only, any Corresponding Payment made or to be made by it under the relevant Tier 2 On-Loan) the Insurance Group Borrower); or
- (b) the PRA having notified the Issuer in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Issuer must defer making a payment of principal under the Notes and the PRA not having revoked such notification; or
- (c) the PRA having notified the Insurance Group Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Insurance Group Borrower must defer the Corresponding Payment under the relevant Tier 2 On-Loan and the PRA not having revoked such notification;

“Relevant Date” has the meaning given in Condition 8;

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

“Relevant Rules” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the jurisdiction of the PRA from time to time and applying to the Issuer, the Insurance Group Parent Entity or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency II and any legislation, rules or regulations relating to such matters which are supplementary or extraneous to the obligations imposed on Member States by Solvency II;

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

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

- (a) in the case of a Tier 2 On-Loan comprising dated obligations of the Insurance Group Borrower (being a Tier 2 On-Loan with a specified maturity or scheduled repayment date)
 - (i) policyholders of the Insurance Group Borrower (if any) and any other creditors of the Insurance Group Borrower who are unsubordinated creditors of the Insurance Group Borrower; and
 - (ii) other creditors of the Insurance Group Borrower whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Insurance Group Borrower but not further or otherwise (and excluding those creditors (i) whose claims are in respect of obligations of the Insurance Group Borrower which are in a form having the necessary features to qualify as Tier 1 Capital or Tier 2 Capital or (ii) whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Issuer against the Insurance Group Borrower pursuant to the relevant Tier 2 On-Loan); and
- (b) in the case of a Tier 2 On-Loan comprising undated or perpetual obligations of the Insurance Group Borrower (being a Tier 2 On-Loan without a specified maturity or scheduled repayment date)
 - (i) policyholders of the Insurance Group Borrower (if any) and any other creditors of the Insurance Group Borrower who are unsubordinated creditors of the Insurance Group Borrower;
 - (ii) other creditors of the Insurance Group Borrower whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Insurance Group Borrower but not further or otherwise (and excluding those creditors (i) whose claims are in respect of obligations of the Insurance Group Borrower which are in a form having the necessary features to qualify as Tier 1 Capital or Tier 2 Capital or (ii) whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Issuer against the Insurance Group Borrower pursuant to the relevant Tier 2 On-Loan); and
 - (iii) (unless and until the Undated Notes Parity Election is made) holders of dated subordinated obligations of the Insurance Group Borrower;

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

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

otherwise rank, or are expressed to rank, pari passu with, or junior to, any claims of the Noteholders under the Notes and the Trust Deed including (without limitation) holders of Parity Obligations of the Issuer and/or Junior Obligations of the Issuer); and

- (iii) (unless and until the Undated Notes Parity Election is made) holders of dated subordinated obligations of the Issuer (including, without limitation and for so long as any of the same shall remain outstanding, the Issuer's obligations pursuant to its 2025 Notes);

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

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

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

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

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

“**Special Redemption Price**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

“**Specified Denomination**” has the meaning given to it in the relevant Final Terms or Pricing Supplement;

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

“**Substituted Obligor**” has the meaning given to it in Condition 12(a);

“**successor in business**” has the meaning given in the Trust Deed;

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

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

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

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

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

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

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

“**Undated Notes Parity Election**” has the meaning given to it in Condition 3(b); and

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

19 Governing Law and Jurisdiction

(a) *Governing law*

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Coupons and/or the Talons are governed by, and shall be construed in accordance with, English law, save that the provisions of Condition 3 relating to the status and subordination of the Notes, the corresponding provisions of the Trust Deed are governed by, and shall be construed in accordance with the laws of the Cayman Islands.

(b) *Jurisdiction*

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

The Issuer has appointed Phoenix Life Holdings Limited of 1 Wythall Green Way, Wythall, Birmingham, B47 6WG, United Kingdom as agent for service of process in England. In the event of Phoenix Life Holdings Limited being unable or unwilling for any reason so to act, the Issuer will immediately appoint another person as its agent for service of process in England in respect of any Proceedings. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes in respect of any series of Senior Notes in bearer form are stated in the applicable Final Terms or Pricing Supplement to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. If the Global Certificates in respect of any series of Senior Notes in registered form are stated in the applicable Final Terms or Pricing Supplement to be issued in NSS form, the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Where the Global Notes issued in respect of any Tranche are in NGN form or are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or Global Certificates (as the case may be) with the Common Safekeeper does not necessarily mean that the relevant Senior Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository (other than Global Certificates in NSS form, which shall be delivered to a Common Safekeeper).

If the Global Note is in CGN form, upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms or Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such

Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (a) if the relevant Final Terms or Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Subscription and Sale*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

If the temporary Global Note is exchangeable for Definitive Notes at the option of the holder and the relevant clearing system(s) so permit, the Notes shall be tradeable only in amounts of at least the Specified Denomination specified in the Final Terms or Pricing Supplement (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)).

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

Permanent Global Certificates

If the Final Terms or Pricing Supplement state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) of the relevant Notes may only be made in part:

- (a) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (A) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Delivery of Notes

If the Global Note is in CGN form, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is in NGN form, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Conditions 7(f)(v) and 7(g) in the case of the relevant Notes will apply to the Definitive Notes only. If the Global Note is in NGN form, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the

Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "**Business Day**" set out in Condition 7(h) of the relevant Notes.

All payments in respect of Notes represented by a Global 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.

Prescription

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 of the relevant Notes).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

Issuer's Option

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Senior Notes while such Senior Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Senior Notes in respect of which the option has been exercised, and stating the nominal amount of Senior Notes in respect of which the option is

exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is in NGN form, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN nominal amount

Where the Global Note is in NGN form, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Senior Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, any nominee or any common nominee, as the case may be, 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 such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate and, in the case of Registered Notes only, the Trustee may have regard to any other letter of confirmation, form of record, information and/or certification as the Trustee shall, in its absolute discretion, think fit as evidence that at any particular time or throughout any particular period any particular person should be regarded as having an interest in a particular nominal amount of Registered Notes and if the Trustee does so rely on such evidence, such letter of confirmation, form of record, information and/or certification shall be conclusive and binding on all concerned.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

Electronic Consent and Written Resolution

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

- (a) approval of a resolution proposed by the relevant 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 and holders of Coupons and Talons 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 relevant Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the relevant Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global

Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the relevant Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline 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 relevant 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.

FORMS OF TIER 2 ON-LOAN AND TIER 3 ON-LOAN

Form of Tier 2 – On-loan

The following is the text of the template Tier 2 On-Loan expected to be entered into on or around the relevant Issue Date of any Series of Tier 2 Notes (subject to completion). As at the Issue Date, the Insurance Group Borrower will be PLHL but (subject to any necessary approval from the PRA) the identity of the Insurance Group Borrower could change on one or more occasions over time and PGH and (subject to any necessary approval from the PRA) the relevant Insurance Group Borrower may agree to different terms for any Tier 2 On-Loan, may modify the terms of any Tier 2 On-Loan or replace the Tier 2 On-Loan and may do so without the need for any approval or consent from or notification to the Trustee or the Noteholders.

This Loan Agreement is dated [●] between:

- (1) **PHOENIX GROUP HOLDINGS**, a company registered under the laws of the Cayman Islands with registered number 202172 and which has its head office at 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU (the “**Lender**”); and
- (2) **PHOENIX LIFE HOLDINGS LIMITED**, a company registered in England with registered number 06977344 and which has its registered office at 1 Wythall Green Way, Wythall, Birmingham, B47 6WG, United Kingdom (the “**Borrower**”).

Whereas:

The parties wish to confirm the terms of a subordinated intra-group loan to be made available to the Borrower by the Lender.

It is agreed as follows:

1 Definitions and Interpretation

In this Agreement, unless the context requires otherwise:

“**Advance**” means the advance in an aggregate amount equal to [CURRENCY] [AMOUNT] made by the Lender to the Borrower in accordance with Clause 2, as such advance may be reduced by repayment or prepayment from time to time;

“**Agency Agreement**” means the amended and restated agency agreement dated [DATE] relating to the Notes between the Lender, PGH Capital Public Limited Company, Citibank, N.A., London Branch as trustee, Citigroup Global Markets Deutschland AG as registrar and the Principal Paying Agent;

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

“**Business Day**” means 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;

[An optional deferral clause is only expected to be included where the Lender has a corresponding optional deferral right under the relevant Series of Tier 2 Notes.]

“**Compulsory Interest Payment Date**” means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred; (ii) on which the

relevant interest payment can be made in compliance with the Solvency Condition; and (iii) which is not an Interest Payment Date on which a Regulatory Deficiency Event in respect of payments of interest is occurring or will occur as a result of such payment;

“Compulsory Interest Payment Event” means:

- (a) any declaration, payment or making of a dividend or distribution by the Borrower to its ordinary shareholders; or
- (b) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Obligations of the Lender or Junior Obligations of the Borrower, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, their terms; or
- (c) any repurchase by the Borrower of any of its ordinary shares for cash, provided (in the case of the Borrower) such repurchase is not made in the ordinary course of business of the Borrower in connection with any share option scheme or share ownership scheme for management or employees of the Borrower or management or employees of affiliates of the Borrower; or
- (d) any redemption or purchase by the Lender, the Borrower or any other Subsidiary of the Borrower of any other Junior Obligations of the Lender or Junior Obligations of the Borrower for cash, except (i) a redemption required to be effected under, or in accordance with, their terms and/or (ii) any purchase by a Subsidiary of the Borrower where neither the Borrower nor the Insurance Group Parent Entity has operational control over the investment activities thereof and where such purchase is not made at the direction of, or for the benefit of, the Lender or the Borrower;]

“Deferred Interest” has the meaning set out in Clause 5.4;

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

“Insolvent Insurer Winding-up” means:

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

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

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

“Insurance Group Parent Entity” means the Borrower, or any other Subsidiary or parent company of the Lender (or, if applicable, the Lender itself) which from time to time constitutes the highest entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

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

“Interest Payment Date” has the meaning given in Clause 4.2;

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

“**Junior Obligations**” has the meaning set out in Clause 3.1;

“**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);

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

[“**Maturity Date**” has the meaning set out in Clause 6.1;]

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

“**Notes**” means the Lender’s [*description of relevant series of notes*] issued on the date of this Agreement;

[“**Optional Interest Payment Date**” means any Interest Payment Date other than a Compulsory Interest Payment Date or an Interest Payment Date on which a Regulatory Deficiency Event in respect of payments of interest is occurring or will occur as a result of such payment;]

“**Parity Creditors**” means creditors of the Borrower whose claims rank, or are expressed to rank, *pari passu* with the claims of the Lender pursuant to this Agreement, including holders of Parity Obligations;

“**Parity Obligations**” has the meaning set out in Clause 3.1;

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

“**Principal Paying Agent**” means Citibank, N.A., London Branch (or any successor thereto) acting as principal paying agent in relation to the Notes pursuant to the Agency Agreement;

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

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

“**Regulatory Deficiency Event**” means (i) any event (including, without limitation, (in relation to deferral of payments of principal only) where an Insolvent Insurer Winding-up has occurred and is continuing or (in relation to deferral of payments of principal or interest) any event which causes any Solvency Capital Requirement and/or Minimum Capital Requirement applicable to the Borrower and/or the Insurance Group and/or any Subsidiary of the Borrower to be breached and the continuation of such Insolvent Insurer Winding-up (in the case of a payment of principal) or, as the case may be, such breach (in the case of a payment of principal and/or interest) is an event) which under the Relevant Rules means that the Borrower must defer or suspend a payment of interest (or, if applicable, Arrears of Interest) and/or principal (as the case may be) under

this Agreement or (ii) the PRA having notified the Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Borrower must defer a payment of interest and/or principal under this Agreement and the PRA not having revoked such notification;

“**Relevant Rules**” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the jurisdiction of the PRA from time to time and applying to the Borrower or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency II and any legislation, rules or regulations relating to such matters which are supplementary or extraneous to the obligations imposed on EEA member states by Solvency II;

“**Senior Creditors**” means:

[in the case of a Tier 2 On-Loan comprising dated obligations of the Insurance Group Borrower (being a Tier 2 On-Loan with a specified maturity or scheduled repayment date)]

- (a) [any policyholders of the Borrower (if any) and, for the avoidance of doubt, the claims of Senior Creditors who are policyholders shall include all amounts to which any such policyholder would be entitled in its capacity as policyholder under any applicable legislation or rules relating to a winding up of companies limited by guarantee and/or of insurers generally to reflect any right to receive, or expectation of receiving, policyholder benefits which policyholders may have (including, without limitation, such expectations of policyholders to receive discretionary benefits under with-profits policies as are consistent with the relevant Principles and Practices of Financial Management of the Borrower and its obligations to treat customers fairly);
- (b) creditors of the Borrower (other than policyholders) who are unsubordinated creditors of the Borrower; and
- (c) other creditors of the Borrower whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Borrower but not further or otherwise (other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Borrower 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, Tier 2 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Lender under this Agreement);]

[in the case of a Tier 2 On-Loan comprising undated or perpetual obligations of the Insurance Group Borrower (being a Tier 2 On-Loan without a specified maturity or scheduled repayment date)]

- (a) [any policyholders of the Borrower (if any) and, for the avoidance of doubt, the claims of Senior Creditors who are policyholders shall include all amounts to which any such policyholder would be entitled in its capacity as policyholder under any applicable legislation or rules relating to a winding up of companies limited by guarantee and/or of insurers generally to reflect any right to receive, or expectation of receiving, policyholder benefits which policyholders may have (including, without limitation, such expectations of policyholders to receive discretionary benefits under with-profits policies as are consistent with the relevant Principles and Practices of Financial Management of the Borrower and its obligations to treat customers fairly);
- (b) creditors of the Borrower (other than policyholders) who are unsubordinated creditors of the Borrower;

- (c) other creditors of the Borrower whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Borrower but not further or otherwise (other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Borrower 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, Tier 2 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Lender under this Agreement); and
- (d) (until the date on which any Undated Notes Parity Election made by the Lender in relation to the Notes takes effect) holders of dated subordinated obligations of the Borrower (other than those whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Lender under this Agreement);]

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

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

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

“**Solvency Condition**” has the meaning set out in Clause 3.2;

“**Subsidiary**” has the meaning given to that term under section 1159 of the Companies Act 2006;

“**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);

“**Undated Notes Parity Election**” has the meaning set out in the terms and conditions of the Notes; and

“**Winding-Up**” has the meaning set out in Clause 3.1.

2 Advance and Payments

2.1 Drawdown

Drawdown of the Advance shall occur on the date of this Agreement.

The proceeds of the Advance shall be credited to such account as is notified by the Borrower to the Lender.

2.2 Use of proceeds

The Borrower shall apply all amounts borrowed by it under this agreement [*towards general corporate purposes*]/[*other*]. The Lender is not obliged to monitor or verify how any amount advanced under this agreement is used.

2.3 Payment on a Business Day

[The text below is expected to be used in relation to any Tier 2 On-Loan of the proceeds of Fixed Rate Notes. If any other interest or interest reset bases are used, the terms of the Tier 2 On-Loan would be adjusted to reflect the interest-related terms of the relevant Series of Tier 2 Notes. For the avoidance of doubt, the same or similar interest deferral provisions will apply in any event.]

[If the due date for payment under this Agreement is not a Business Day, such payment shall be made on the next Business Day. The Lender will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day.]

2.4 Payment direction

Unless otherwise agreed between the Lender and the Borrower and subject to the Regulatory Clearance Condition, the Lender hereby directs the Borrower to make any payments due to the Lender under this Agreement by:

- (i) making a payment on behalf of the Lender to the Principal Paying Agent for the Notes in an amount equal to the relevant amount due and payable on the Notes on such date; and
- (ii) making a payment to the Lender of any remaining amounts due and payable pursuant to this Agreement on such date.

Payments made pursuant to paragraph (i) shall, for the purposes of the Notes and the Agency Agreement, be treated as payments made on behalf of the Lender in accordance with the terms of the Agency Agreement.

Any payments made by the Borrower as set out in this Clause 2.4 shall constitute good discharge of the relevant obligation of the Borrower under this Agreement *pro tanto*.

3 Subordination

3.1 Subordination

[in the case of a Tier 2 On-Loan comprising dated obligations of the Insurance Group Borrower (being a Tier 2 On-Loan with a specified maturity or scheduled repayment date)]

[If:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up of the Borrower (other than on a solvent winding-up solely for the purpose of a reconstruction or amalgamation which does not provide that the Advance or any amount in respect thereof shall thereby become payable or the substitution in place of the Borrower of a successor in business of the Borrower); or
- (ii) an administrator of the Borrower is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Borrower,

(each such event being referred to in this Agreement as a “**Winding-Up**”), the rights and claims of the Lender against the Borrower in relation to amounts payable under this Agreement (including, without limitation, any damages awarded for breach of any obligations under this Agreement) shall be subordinated to the claims of all Senior Creditors but shall rank:

- (A) at least *pari passu* with all claims of holders of (i) all subordinated obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier

2 Capital and (ii) all obligations which rank, or are expressed to rank, *pari passu* therewith (and includes, without limitation and for so long as it remains outstanding, the subordinated on-loan entered into between the parties hereto in relation to the proceeds of the Lender's £428,113,000 6.625 per cent. Subordinated Notes due 2025 (ISIN XS1171593293)) (together, "**Parity Obligations**"); and

- (B) in priority to (a) the claims of holders of (i) any subordinated obligations of the Borrower which rank, or are expressed to rank, junior to the claims of the Lender pursuant to this Agreement, (ii) (until the date on which any Undated Notes Parity Election made by the Lender in relation to the Notes takes effect) claims in respect of undated or perpetual subordinated obligations of the Borrower where the principal amount of such obligations was issued or incurred after the date of this Agreement and (iii) all obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute Tier 1 Capital (including, without limitation, in each case by virtue of the operation of any applicable grandfathering provisions under the Relevant Rules) and all obligations which rank, or are expressed to rank, *pari passu* therewith and (b) the claims of holders of any class of shares in the Borrower (together, the "**Junior Obligations**").]

[*in the case of a Tier 2 On-Loan comprising undated or perpetual obligations of the Insurance Group Borrower (being a Tier 2 On-Loan without a specified maturity or scheduled repayment date)*]

[If:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up of the Borrower (other than on a solvent winding-up solely for the purpose of a reconstruction or amalgamation which does not provide that the Advance or any amount in respect thereof shall thereby become payable or the substitution in place of the Borrower of a successor in business of the Borrower); or
- (ii) an administrator of the Borrower is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Borrower,

(each such event being referred to in this Agreement as a "**Winding-Up**"), the rights and claims of the Lender against the Borrower in relation to amounts payable under this Agreement (including, without limitation, any damages awarded for breach of any obligations under this Agreement) shall be subordinated to the claims of all Senior Creditors but shall rank:

- (A) (until the date on which any Undated Notes Parity Election made by the Lender in relation to the Notes takes effect) at least *pari passu* with all claims of holders of undated or perpetual subordinated obligations of the Borrower where the principal amount of such obligations was issued or incurred after the date of this Agreement and all obligations which rank, or are expressed to rank, *pari passu* therewith and (from the date on which any Undated Notes Parity Election made by the Lender in relation to the Notes takes effect) at least *pari passu* with all claims of holders of (i) all subordinated obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and (ii) all obligations which rank, or are expressed to rank, *pari passu* therewith (together, "**Parity Obligations**"); and
- (B) in priority to (a) the claims of holders of (i) any subordinated obligations of the Borrower which rank, or are expressed to rank, junior to the claims of the Lender pursuant to this Agreement and (ii) all obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations

of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute Tier 1 Capital (including, without limitation, in each case by virtue of the operation of any applicable grandfathering provisions under the Relevant Rules) and all obligations which rank, or are expressed to rank, *pari passu* therewith and (b) the claims of holders of any class of shares in the Borrower (together, the “**Junior Obligations**”).]

3.2 Solvency Condition

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

For the purposes of this Clause 3.2, the Borrower 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.

3.3 Payments subject to Solvency Condition; No Default

The Borrower shall not make any payment of principal or interest on the Advance unless the Solvency Condition would be satisfied at the time of and immediately after any such payment. The non-payment of any interest on any Interest Payment Date or of principal, in either case, in accordance with Clause 3.2, shall not constitute a default by the Borrower and will not give the Lender a right to accelerate the Advance.

3.4 Set-off

Subject to applicable law, the Lender waives, and will be deemed to have waived, any right of set-off or counterclaim that it might otherwise have against the Borrower in respect of or arising under this Agreement whether prior to or in liquidation, winding-up or administration. Notwithstanding the preceding sentence, if any of the rights and claims of the Lender in respect of or arising under this Agreement are discharged by set-off, the Lender will immediately pay an amount equal to the amount of such discharge to the Borrower or, if applicable, the liquidator, trustee, receiver or administrator of the Borrower and, until such time as payment is made, will hold a sum equal to such amount on trust for the Borrower or, if applicable, the liquidator, trustee, receiver or administrator in the relevant liquidation, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

4 Interest

[The text below is expected to be used in relation to any Tier 2 On-Loan of the proceeds of Fixed Rate Notes. If any other interest or interest reset bases are used, the terms of the Tier 2 On-Loan would be adjusted to reflect the interest-related terms of the relevant Series of Tier 2 Notes. For the avoidance of doubt, the same or similar interest deferral provisions will apply in any event.]

4.1 Interest rate

[The Advance will accrue interest on its principal amount from (and including) the date of this Agreement [to (but excluding) the Maturity Date (or such later date as the Advance becomes due for repayment in accordance with this Agreement)] at a rate of [●] per cent. per annum in accordance with the provisions of this Clause 4. [The first Interest Period shall be a short first Interest Period for the period from (and including) the date of this Agreement to (but excluding) the first Interest Payment Date and the amount of interest payable (subject to Clauses 3.2 and 5) in respect of the Advance on the first Interest Payment Date shall be £[●].]]

4.2 Interest payment dates

[Subject to Clauses 3.2, 4.3, 5.1 (if applicable), 5.2 and 8, interest shall be payable on the Advance annually in arrear on [●] (each, an “**Interest Payment Date**”) in each year commencing on [●] [(with a [short]/[long] first interest period)].]

4.3 Day count fraction for periods other than normal Interest Periods

[Where it is necessary to compute an amount of interest payable in respect of the Advance for a period that is equal to or shorter than 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 date of this Agreement) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the date of this Agreement) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Where interest is to be calculated in respect of a period which is longer than one Interest Period, the interest payable shall be calculated by applying the applicable interest rate payable hereunder to the Advance and multiplying the product by the sum of: (x) the actual number of days in the Calculation Period falling in the Interest Period in which it begins divided by the actual number of days in such Interest Period and (y) the number of days in the Calculation Period falling in the next Interest Period divided by the actual number of days in such Interest Period and rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

For the purposes of this Clause 4.3 “**Calculation Period**” means the relevant period for which interest is to be calculated (from and including the first day of such period to but excluding the last).]

4.4 Accrual of interest

Subject to Clauses 3.2, 5.1 (if applicable), 5.2 and 8, the Advance will cease to bear interest from the due date for repayment (which due date shall, in the case of deferral of a repayment date in accordance with this Agreement, be the latest date to which repayment of the Advance is so deferred), if any, 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 the day on which all sums due in respect of the Advance up to that day are received by or on behalf of the Lender.

5 Deferral of Interest of Principal

5.1 [Optional deferral of interest

[An optional deferral clause is only expected to be included where the Lender has a corresponding optional deferral right under the relevant Series of Tier 2 Notes.]

[The Borrower may elect in respect of any Optional Interest Payment Date by notice to the Lender to defer payment of all (but not some only) of the interest accrued to that date and shall not have any obligation to make such payment on that date.

The deferral of any payment of interest on an Optional Interest Payment Date in accordance with this Clause 5.1 will not constitute a default by the Borrower and will not give the Lender any right to accelerate the Notes.]

5.2 Mandatory deferral of interest or principal

The Borrower shall defer payment of any principal amount of the Advance and/or any interest otherwise payable on the Advance if a Regulatory Deficiency Event has occurred and is continuing in respect of the relevant payment or would occur if the relevant payment were made.

5.3 No event of default

The deferral of any interest payment on any Interest Payment Date or of any payment of principal pursuant to and in accordance with this Clause 5 or Clause 6 will not constitute a default by the Borrower and will not give the Lender any right to accelerate the Advance.

5.4 Deferred Interest

Any interest on the Advance not paid on an Interest Payment Date as a result of (i) deferral pursuant to Clause 5.1 (if applicable) or 5.2 or (ii) non-satisfaction of the Solvency Condition shall, to the extent and so long as the same remains unpaid, constitute “**Deferred Interest**”. Deferred Interest shall not itself bear interest.

5.5 Subsequent payment of Deferred Interest

Subject to Clause 3.2 and to a Regulatory Deficiency Event not occurring at such time or as a result of such payment and, if then required under the Relevant Rules, to satisfaction of the Regulatory Clearance Condition, any Deferred Interest may be paid by the Borrower to the Lender in whole or in part at any time. Subject (in the case of paragraphs (i) and (iii) below) to Clause 3.2, such interest will otherwise become due and payable by the Borrower in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date on which a Regulatory Deficiency Event in respect of payments of interest is not occurring and will not occur as a result of such payment and on which a scheduled payment of interest in respect of the Loan (or any part thereof) is made or is required to be made pursuant to this Agreement (other than a voluntary payment of Deferred Interest); or
- (ii) the date on which a Winding-Up occurs; or
- (iii) the due date for any repayment of the Advance pursuant to this Agreement (taking account of any subsequent deferral of such repayment pursuant to Clauses 3.2, 5.2 and/or 6.3).

5.6 Subsequent payment of principal

If repayment of the Advance does not occur [on the Maturity Date] as a result of Clause 5.2 above or the Solvency Condition or due to the non-satisfaction of the Regulatory Clearance Condition, the Borrower shall (subject, in the case of (i) and (ii) below, to satisfaction of the Solvency Condition) repay the Advance at its principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the date fixed for repayment, upon the earliest of:

- (i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (unless on such 10 Business Day a further Regulatory Deficiency Event has occurred and is continuing or repayment of the Advance on such date would result in a new or further Regulatory Deficiency Event occurring, in which case the provisions of Clause 5.2 and this Clause 5.6 will apply *mutatis mutandis* to determine the due date for repayment of the Advance); or
- (ii) the date falling 10 Business Days after the relevant regulatory approval for repayment of the Advance is received by the Borrower; or
- (iii) the date on which a Winding-Up occurs.

If on any date Clause 5.2 does not apply, but repayment of the Advance is mandatorily deferred as a result of non-satisfaction of the Solvency Condition, such payment shall be made on the 10 Business Day immediately following the day that the Solvency Condition is satisfied, provided that the payment of the Advance (together with any accrued but unpaid interest and/or any Deferred Interest) would not result in the Solvency Condition not being satisfied. If on the date otherwise fixed for repayment pursuant to this Clause 5.6 a Regulatory Deficiency Event has occurred and is continuing, or would occur if such payment were to be made, then such payment shall not be made on such date and this Clause 5.6 shall apply *mutatis mutandis* to determine the due date for payment of the Advance (together with any accrued but unpaid interest and/or Deferred Interest).

6 Repayment of the Advance

[The text below is drafted on the basis of a dated Tier 2 On-Loan with a single call date being the Maturity Date. If the relevant Series of Tier 2 Notes are perpetual there will be no Maturity Date and the terms of Clause 6 will be adjusted accordingly. The Tier 2 On-Loan may also contain other call rights corresponding to any optional call dates set out in the terms of the relevant Series of Tier 2 Notes.]

6.1 Repayments:

[Subject to Clauses 5.2, 5.6 and 6.3 and to the satisfaction of the Solvency Condition both prior to and immediately follow such payment, unless previously repaid as provided in Clause 6.2 below, the Borrower will repay the Advance at its principal amount on [DATE FALLING ON OR AFTER THE TENTH ANNIVERSARY OF THE DATE OF THE AGREEMENT] (the “**Maturity Date**”), together with any Deferred Interest and any other accrued and unpaid interest to (but excluding) the Maturity Date.]

6.2 Repayment in whole:

The Lender may not at any time demand repayment of the Advance in whole or in part. Notwithstanding the previous sentence, (subject to the requirements of Clause 6.3) the Lender and the Borrower may at any time agree between themselves to an early repayment of the Advance in accordance with the Relevant Rules.

6.3 Conditions of repayment:

Any repayment of the Advance under this Clause 6 is conditional upon the Borrower having complied with the Regulatory Clearance Condition and being in continued compliance with the Regulatory Capital Requirements (if and to the extent then required by the Relevant Rules). For so long as required under the Relevant Rules, any repayment of the Advance prior to the [*date not less than five years from the date of this agreement*] pursuant to Clause 6.1 or 6.2 shall also be conditional upon the repayment being funded (to the extent then required by the PRA pursuant to the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Loan (being capital with the necessary features of Tier 2 Capital) or a better quality form of regulatory capital and being otherwise permitted under the Relevant Rules.

7 Taxation

7.1 No withholding:

All payments of principal and interest under this Agreement by the Borrower 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 United Kingdom or any political subdivision thereof or any authority

therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event the Borrower shall pay such additional amounts as will result in receipt by the Lender after such withholding or deduction of such amounts as would have been received by it had no such withholding or deduction been required.

7.2 Credit for withholding:

If the Lender receives a credit for or refund of any taxes payable by it or similar benefit by reason of any withholding or deduction within Clause 7.1, then it shall reimburse to the Borrower such part of such additional amounts paid pursuant to Clause 7.1 above as will leave the Lender (after such reimbursement) in no better and no worse position than would have arisen if the Borrower had not been required to make such deduction or withholding.

8 Event of Default and Enforcement

8.1 Event of Default

If the Borrower is in a Winding-Up, the Lender at its discretion may give notice to the Borrower that the Advance is, and it shall accordingly forthwith become, immediately due and payable at an amount equal to the principal amount of the Advance then outstanding together with any Deferred Interest and any other accrued and unpaid interest and prove in the winding-up and/or administration of the Borrower and/or claim in the liquidation of the Borrower, but may take no further or other action against the Borrower to enforce, prove or claim for any payment due in respect of the Advance.

8.2 Enforcement

Without prejudice to Clause 8.1, the Lender may at its discretion and without further notice institute such proceedings or take such steps or actions against the Borrower as it may think fit to enforce any term or condition binding on the Borrower under this Agreement (other than any payment obligation of the Borrower under or arising from this Agreement, including any payment of damages awarded for breach of any obligations hereunder) but in no event shall the Borrower, 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 Clause 8.2 shall, however, prevent the Lender from pursuing the remedies to which it is entitled pursuant to Clause 8.1.

8.3 Extent of Lender's remedy

No remedy against the Borrower, other than as referred to in this Clause 8, shall be available to the Lender, whether for the recovery of amounts owing in respect of the Advance or under this Agreement or in respect of any breach by the Borrower of any of its other obligations under or in respect of the Advance or under this Agreement.

9 Assignment and Transfer

9.1 No Borrower assignment:

The Borrower may not at any time assign, transfer, charge or deal in any other similar manner with any of its rights under this Agreement.

9.2 No Lender assignment:

The Lender may not at any time assign, transfer, charge or deal in any other similar manner with any of its rights under this Agreement, save that the Lender shall transfer or assign its rights under this Agreement to any person substituted as issuer of the Notes contemporaneously with such substitution.

10 Partial Invalidity

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any jurisdiction, that shall not affect the legality, validity or enforceability of the remaining provisions in that jurisdiction or of that provision in any other jurisdiction.

11 Miscellaneous

11.1 Governing law

This Agreement and any non-contractual obligations arising out of or in relation to this Agreement are governed by English law.

11.2 Jurisdiction

- (i) The English courts shall have exclusive jurisdiction in relation to all disputes arising out of or in connection with this Agreement (including claims for set-off and counterclaims), including, without limitation, disputes arising out of or in connection with: (A) the creation, validity, effect, interpretation, performance or non-performance of, or the legal relationships established by, this Agreement; and (B) any non-contractual obligations arising out of or in connection with this Agreement. For such purposes each party irrevocably submits to the jurisdiction of the English courts and waives any objection to the exercise of such jurisdiction.
- (ii) The Borrower agrees that a judgment or order of any court referred to in this Clause 11.2 is conclusive and binding and may be enforced against it in the courts of any other jurisdiction.

11.3 Third parties

The terms of this Agreement may be enforced only by a party to it and the operation of the Contracts (Rights of Third Parties) Act 1999 is excluded.

11.4 Notice to PRA etc.

No modification to this Agreement (including, without limitation, as a result of the Undated Notes Parity Election) shall become effective unless the Borrower shall have satisfied the Regulatory Clearance Condition.

11.5 Counterparts

This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

In witness whereof the parties hereto have caused this Agreement to be duly executed on the date first written above.

SIGNED for and on behalf of

PHOENIX GROUP HOLDINGS

SIGNED for and on behalf of

PHOENIX LIFE HOLDINGS LIMITED

By:

Form of Tier 3 – On-Loan

The following is the text of the template Tier 3 On-Loan expected to be entered into on or around the relevant Issue Date of any Series of Tier 3 Notes (subject to completion). As at the Issue Date, the Insurance Group Borrower will be PLHL but (subject to any necessary approval from the PRA) the identity of the Insurance Group Borrower could change on one or more occasions over time and PGH and (subject to any necessary approval from the PRA) the relevant Insurance Group Borrower may agree to different terms for any Tier 3 On-Loan, may modify the terms of any Tier 3 On-Loan or replace the Tier 3 On-Loan and may do so without the need for any approval or consent from or notification to the Trustee or the Noteholders.

This Loan Agreement is dated [●] between:

- (1) **PHOENIX GROUP HOLDINGS**, a company registered under the laws of the Cayman Islands with registered number 202172 and which has its head office at 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU (the “**Lender**”); and
- (2) **PHOENIX LIFE HOLDINGS LIMITED**, a company registered in England with registered number 06977344 and which has its registered office at 1 Wythall Green Way, Wythall, Birmingham, B47 6WG, United Kingdom (the “**Borrower**”).

Whereas:

The parties wish to confirm the terms of a subordinated intra-group loan to be made available to the Borrower by the Lender.

It is agreed as follows:

1 Definitions and Interpretation

In this Agreement, unless the context requires otherwise:

“**Advance**” means the advance in an aggregate amount equal to [CURRENCY] [AMOUNT] made by the Lender to the Borrower in accordance with Clause 2, as such advance may be reduced by repayment or prepayment from time to time;

“**Agency Agreement**” means the amended and restated agency agreement dated [DATE] relating to the Notes between the Lender, PGH Capital Public Limited Company, Citibank, N.A., London Branch as trustee, Citigroup Global Markets Deutschland AG as registrar and the Principal Paying Agent;

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

“**Business Day**” means 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;

“**Deferred Interest**” has the meaning set out in Clause 5.3;

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

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

- (a) the winding-up of any insurance undertaking within the Insurance Group (other than the Borrower);
or

- (b) the appointment of an administrator of any insurance undertaking within the Insurance Group (other than the Borrower),

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

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

“**Insurance Group Parent Entity**” means the Borrower, or any other Subsidiary or parent company of the Lender (or, if applicable, the Lender itself) which from time to time constitutes the highest entity in the relevant EEA insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time;

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

“**Interest Payment Date**” has the meaning given in Clause 4.2;

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

“**Junior Obligations**” has the meaning set out in Clause 3.1;

“**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);

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

“**Maturity Date**” has the meaning set out in Clause 6.1;

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

“**Notes**” means the Lender’s [DESCRIPTION OF RELEVANT SERIES OF NOTES] issued on the date of this Agreement;

“**Parity Creditors**” means creditors of the Borrower whose claims rank, or are expressed to rank, *pari passu* with the claims of the Lender pursuant to this Agreement, including holders of Parity Obligations;

“**Parity Obligations**” has the meaning set out in Clause 3.1;

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

“**Principal Paying Agent**” means Citibank, N.A., London Branch (or any successor thereto) acting as principal paying agent in relation to the Notes pursuant to the Agency Agreement;

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

“Regulatory Clearance Condition” means, in respect of any proposed act on the part of the Borrower, the PRA having approved, granted permission for, consented to, or having been given due notification of and having not within any applicable time-frame objected to, or withdrawn its approval, permission or consent to such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA, the Relevant Rules or any other applicable rules of the PRA at the relevant time);

“Regulatory Deficiency Event” means (i) any event (including, without limitation, (in relation to deferral of payments of principal only) where an Insolvent Insurer Winding-up has occurred and is continuing or any event which causes any Solvency Capital Requirement or (in relation to deferral of payments of principal or interest) any Minimum Capital Requirement applicable to the Borrower and/or the Insurance Group and/or any Subsidiary of the Borrower to be breached and the continuation of such Insolvent Insurer Winding-up (in the case of a payment of principal) or, as the case may be, such breach is an event) which under the Relevant Rules means that the Borrower must defer or suspend a payment of interest (or, if applicable Arrears of Interest) and/or principal (as the case may be) under this Agreement or (ii) the PRA having notified the Borrower in writing that, in circumstances in which it is permitted to do so pursuant to and in accordance with the Relevant Rules, it has determined that the Borrower must defer a payment of interest and/or principal under this Agreement and the PRA not having revoked such notification;

“Relevant Rules” means any legislation, rules or regulations (whether having the force of law or otherwise) applicable in the jurisdiction of the PRA from time to time and applying to the Borrower or any insurance or reinsurance undertaking within the Insurance Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and the requirement to retain capital resources in excess of a prescribed capital resources requirement and, for the avoidance of doubt and without limitation to the foregoing, includes Solvency II and any legislation, rules or regulations relating to such matters which are supplementary or extraneous to the obligations imposed on EEA member states by Solvency II;

“Senior Creditors” means:

- (a) any policyholders of the Borrower (if any) and, for the avoidance of doubt, the claims of Senior Creditors who are policyholders shall include all amounts to which any such policyholder would be entitled in its capacity as policyholder under any applicable legislation or rules relating to a winding up of companies limited by guarantee and/or of insurers generally to reflect any right to receive, or expectation of receiving, policyholder benefits which policyholders may have (including, without limitation, such expectations of policyholders to receive discretionary benefits under with-profits policies as are consistent with the relevant Principles and Practices of Financial Management of the Borrower and its obligations to treat customers fairly); and
- (b) creditors of the Borrower (other than policyholders) who are unsubordinated creditors of the Borrower;

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

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

“Solvency Capital Requirement” means the solvency capital requirement or the group solvency capital requirement referred to in Solvency II (howsoever described or defined in Solvency II) or any other solvency

capital requirement, group solvency capital requirement or any other equivalent capital requirement howsoever described in the Relevant Rules;

“**Solvency Condition**” has the meaning set out in Clause 3.2;

“**Subsidiary**” has the meaning given to that term under section 1159 of the Companies Act 2006;

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

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

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

“**Winding-Up**” has the meaning set out in Clause 3.1.

2 Advance and Payments

2.1 Drawdown

Drawdown of the Advance shall occur on the date of this Agreement.

The proceeds of the Advance shall be credited to such account as is notified by the Borrower to the Lender.

2.2 Use of proceeds

The Borrower shall apply all amounts borrowed by it under this agreement [*towards general corporate purposes*]/[*other*]. The Lender is not obliged to monitor or verify how any amount advanced under this agreement is used.

2.3 Payment on a Business Day

[The text below is expected to be used in relation to any Tier 3 On-Loan of the proceeds of Fixed Rate Notes. If any other interest or interest reset bases are used, the terms of the Tier 3 On-Loan would be adjusted to reflect the interest-related terms of the relevant Series of Tier 3 Notes. For the avoidance of doubt, the same or similar interest deferral provisions will apply in any event.]

[If the due date for payment under this Agreement is not a Business Day, such payment shall be made on the next Business Day. The Lender will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day.]

2.4 Payment direction

Unless otherwise agreed between the Lender and the Borrower and subject to the Regulatory Clearance Condition, the Lender hereby directs the Borrower to make any payments due to the Lender under this Agreement by:

- (i) making a payment on behalf of the Lender to the Principal Paying Agent for the Notes in an amount equal to the relevant amount due and payable on the Notes on such date; and
- (ii) making a payment to the Lender of any remaining amounts due and payable pursuant to this Agreement on such date.

Payments made pursuant to Clause 2.4(i) shall, for the purposes of the Notes and the Agency Agreement, be treated as payments made on behalf of the Lender in accordance with the terms of the Agency Agreement.

Any payments made by the Borrower as set out in this Clause 2.4 shall constitute good discharge of the relevant obligation of the Borrower under this Agreement *pro tanto*.

3 Subordination

3.1 Subordination

If:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up of the Borrower (other than on a solvent winding-up solely for the purpose of a reconstruction or amalgamation which does not provide that the Advance or any amount in respect thereof shall thereby become payable or the substitution in place of the Borrower of a successor in business of the Borrower); or
- (ii) an administrator of the Borrower is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Borrower,

(each such event being referred to in this Agreement as a “**Winding-Up**”), the rights and claims of the Lender against the Borrower in relation to amounts payable under this Agreement (including, without limitation, any damages awarded for breach of any obligations under this Agreement) shall be subordinated to the claims of all Senior Creditors but shall rank:

- (A) at least *pari passu* with all claims of holders of (i) all subordinated obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 3 Capital and (ii) all obligations which rank, or are expressed to rank, *pari passu* therewith (and shall include, the subordinated on-loan entered into between the parties hereto in relation to the Lender’s £300,000,000 4.125 per cent. Tier 3 Notes due 2022 (ISIN XS1551285007)) (together, “**Parity Obligations**”); and
- (B) in priority to (a) the claims of holders of (i) all subordinated obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital (and includes, without limitation and for so long as it remains outstanding, the subordinated on-loan entered into between the parties hereto in relation to the proceeds of the Lender’s £428,113,000 6.625 per cent. Subordinated Notes due 2025 (ISIN XS1171593293)), (ii) any subordinated obligations of the Borrower which rank, or are expressed to rank, junior to the claims of the Lender pursuant to this Agreement, (iii) claims in respect of undated or perpetual subordinated obligations of the Borrower where the principal amount of such obligations was issued or incurred after the date of this Agreement and (iv) all obligations of the Borrower which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Borrower in respect of, any obligations of any other person which constitute, or (in either case) would but for any

applicable limitation on the amount of such capital constitute Tier 1 Capital (including, without limitation, in each case by virtue of the operation of any applicable grandfathering provisions under the Relevant Rules) or Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith and (b) the claims of holders of any class of shares in the Borrower (together, the “**Junior Obligations**”).

3.2 Solvency Condition

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

For the purposes of this Clause 3.2, the Borrower 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.

3.3 Payments subject to Solvency Condition; No Default

The Borrower shall not make any payment of principal or interest on the Advance unless the Solvency Condition would be satisfied at the time of and immediately after any such payment. The non-payment of any interest on any Interest Payment Date or of principal, in either case, in accordance with Clause 3.2, shall not constitute a default by the Borrower and will not give the Lender a right to accelerate the Advance.

3.4 Set-off

Subject to applicable law, the Lender waives, and will be deemed to have waived, any right of set-off or counterclaim that it might otherwise have against the Borrower in respect of or arising under this Agreement whether prior to or in liquidation, winding-up or administration. Notwithstanding the preceding sentence, if any of the rights and claims of the Lender in respect of or arising under this Agreement are discharged by set-off, the Lender will immediately pay an amount equal to the amount of such discharge to the Borrower or, if applicable, the liquidator, trustee, receiver or administrator of the Borrower and, until such time as payment is made, will hold a sum equal to such amount on trust for the Borrower or, if applicable, the liquidator, trustee, receiver or administrator in the relevant liquidation, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

4 Interest

[The text below is expected to be used in relation to any Tier 3 On-Loan of the proceeds of Fixed Rate Notes. If any other interest or interest reset bases are used, the terms of the Tier 3 On-Loan would be adjusted to reflect the interest-related terms of the relevant Series of Tier 3 Notes. For the avoidance of doubt, the same or similar interest deferral provisions will apply in any event.]

4.1 Interest rate

[The Advance will accrue interest on its principal amount from (and including) the date of this Agreement [to (but excluding) the Maturity Date (or such later date as the Advance becomes due for repayment in accordance with this Agreement)] at a rate of [●] per cent. per annum in accordance with the provisions of this Clause 4. [The first Interest Period shall be a short first Interest Period for the period from (and including) the date of this Agreement to (but excluding) the first Interest Payment Date and the amount of interest payable (subject to Clauses 3.2 and 5) in respect of the Advance on the first Interest Payment Date shall be £[●].]

4.2 Interest payment dates

[Subject to Clauses 3.2, 4.3, 5.1 and 8, interest shall be payable on the Advance annually in arrear on [●] (each, an “**Interest Payment Date**”) in each year commencing on [●] [(with a [short]/[long] first interest period)].]

4.3 Day count fraction for periods other than normal Interest Periods

[Save as set out below, where it is necessary to compute an amount of interest payable in respect of the Advance for a period that is equal to or shorter than 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 date of this Agreement) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the date of this Agreement) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Where interest is to be calculated in respect of a period which is longer than one Interest Period, the interest payable shall be calculated by applying the applicable interest rate payable hereunder to the Advance and multiplying the product by the sum of: (x) the actual number of days in the Calculation Period falling in the Interest Period in which it begins divided by the actual number of days in such Interest Period and (y) the number of days in the Calculation Period falling in the next Interest Period divided by the actual number of days in such Interest Period and rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

For the purposes of this Clause 4.3 “**Calculation Period**” means the relevant period for which interest is to be calculated (from and including the first day of such period to but excluding the last).]

4.4 Accrual of interest

Subject to Clauses 3.2, 5.1 and 8, the Advance will cease to bear interest from the due date for repayment (which due date shall, in the case of deferral of a repayment date in accordance with this Agreement, be the latest date to which repayment of the Advance is so deferred), if any, 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 the day on which all sums due in respect of the Advance up to that day are received by or on behalf of the Lender.

5 Deferral of Interest or Principal

5.1 Mandatory deferral of interest or principal

The Borrower shall defer payment of any principal amount of the Advance and/or any interest otherwise payable on the Advance if a Regulatory Deficiency Event has occurred and is continuing in respect of the relevant payment or would occur if the relevant payment were made.

5.2 No event of default

The deferral of any interest payment on any Interest Payment Date or of any payment of principal pursuant to and in accordance with this Clause 5 or Clause 6 will not constitute a default by the Borrower and will not give the Lender any right to accelerate the Advance.

5.3 Deferred Interest

Any interest on the Advance not paid on an Interest Payment Date as a result of (i) deferral pursuant to Clause 5.1 or (ii) non-satisfaction of the Solvency Condition shall, to the extent and so long as the same remains unpaid, constitute “**Deferred Interest**”. Deferred Interest shall not itself bear interest.

5.4 Subsequent payment of Deferred Interest

Subject to Clause 3.2 and to a Regulatory Deficiency Event not occurring at such time or as a result of such payment and, if then required under the Relevant Rules, to satisfaction of the Regulatory Clearance Condition, any Deferred Interest may be paid by the Borrower to the Lender in whole or in part at any time. Subject (in the case of (i) and (iii) below) to Clause 3.2, such interest will otherwise become due and payable by the Borrower in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date on which a Regulatory Deficiency Event in respect of payments of interest is not occurring; or
- (ii) the date on which a Winding-Up occurs; or
- (iii) the due date for any repayment of the Advance pursuant to this Agreement (taking account of any subsequent deferral of such repayment pursuant to Clauses 3.2, 5.1 and/or 6.3).

5.5 Subsequent payment of principal

If repayment of the Advance does not occur on the Maturity Date as a result of Clause 5.1 above or the Solvency Condition or due to the non-satisfaction of the Regulatory Clearance Condition, the Borrower shall (subject, in the case of (i) and (ii) below, to satisfaction of the Solvency Condition) repay the Advance at its principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the date fixed for repayment, upon the earliest of:

- (i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (unless on such 10 Business Day a further Regulatory Deficiency Event has occurred and is continuing or repayment of the Advance on such date would result in a new or further Regulatory Deficiency Event occurring, in which case the provisions of Clause 5.1 and this Clause 5.5 will apply *mutatis mutandis* to determine the due date for repayment of the Advance); or
- (ii) the date falling 10 Business Days after the relevant regulatory approval for repayment of the Advance is received by the Borrower; or
- (iii) the date on which a Winding-Up occurs.

If on any date Clause 5.1 does not apply, but repayment of the Advance is mandatorily deferred as a result of non-satisfaction of the Solvency Condition, such payment shall be made on the 10 Business Day immediately following the day that the Solvency Condition is satisfied, provided that the payment of the Advance (together with any accrued but unpaid interest and/or any Deferred Interest) would not result in the Solvency Condition not being satisfied. If on the date otherwise fixed for repayment pursuant to this Clause 5.5 a Regulatory Deficiency Event has occurred and is continuing, or would occur if such payment were to be made, then such payment shall not be made on such date and this Clause 5.5 shall apply *mutatis mutandis* to determine the due date for payment of the Advance (together with any accrued but unpaid interest and/or Deferred Interest).

6 Repayment of the Advance

[The text below is drafted on the basis of a dated Tier 3 On-Loan with a single call date being the Maturity Date. The Tier 3 On-Loan may also contain other call rights corresponding to any optional call dates set out in the terms of the relevant Series of Tier 3 Notes.]

6.1 Repayment:

[Subject to Clauses 5.1, 5.5 and 6.3 and to the satisfaction of the Solvency Condition both prior to and immediately follow such payment, unless previously repaid as provided in Clause 6.2 below, the Borrower will repay the Advance at its principal amount on [DATE FALLING ON OR AFTER THE FIFTH ANNIVERSARY OF THE DATE OF THE AGREEMENT] (the “**Maturity Date**”), together with any Deferred Interest and any other accrued and unpaid interest to (but excluding) the Maturity Date.]

6.2 Repayment in whole:

The Lender may not at any time demand repayment of the Advance in whole or in part. Notwithstanding the previous sentence, (subject to the requirements of Clause 6.3) the Lender and the Borrower may at any time agree between themselves to an early repayment of the Advance in accordance with the Relevant Rules.

6.3 Conditions of repayment:

Any repayment of the Advance under this Clause 6 is conditional upon the Borrower having complied with the Regulatory Clearance Condition and being in continued compliance with the Regulatory Capital Requirements (if and to the extent then required by the Relevant Rules). For so long as required under the Relevant Rules, any repayment of the Advance prior to [*the Maturity Date*] pursuant to Clause 6.2 shall also be conditional upon the repayment being funded (to the extent then required by the PRA pursuant to the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Loan (being capital with the necessary features of Tier 3 Capital) or a better quality form of regulatory capital and being otherwise permitted under the Relevant Rules.

7 Taxation

7.1 No withholding:

All payments of principal and interest under this Agreement by the Borrower 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 United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event the Borrower shall pay such additional amounts as will result in receipt by the Lender after such withholding or deduction of such amounts as would have been received by it had no such withholding or deduction been required.

7.2 Credit for withholding:

If the Lender receives a credit for or refund of any taxes payable by it or similar benefit by reason of any withholding or deduction within Clause 7.1, then it shall reimburse to the Borrower such part of such additional amounts paid pursuant to Clause 7.1 above as will leave the Lender (after such reimbursement) in no better and no worse position than would have arisen if the Borrower had not been required to make such deduction or withholding.

8 Event of Default and Enforcement

8.1 Event of Default

If the Borrower is in a Winding-Up, the Lender at its discretion may give notice to the Borrower that the Advance is, and it shall accordingly forthwith become, immediately due and payable at an amount equal to the principal amount of the Advance then outstanding together with any Deferred Interest and any

other accrued and unpaid interest and prove in the winding-up and/or administration of the Borrower and/or claim in the liquidation of the Borrower, but may take no further or other action against the Borrower to enforce, prove or claim for any payment due in respect of the Advance.

8.2 Enforcement

Without prejudice to Clause 8.1, the Lender may at its discretion and without further notice institute such proceedings or take such steps or actions against the Borrower as it may think fit to enforce any term or condition binding on the Borrower under this Agreement (other than any payment obligation of the Borrower under or arising from this Agreement, including any payment of damages awarded for breach of any obligations hereunder) but in no event shall the Borrower, 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 Clause 8.2 shall, however, prevent the Lender from pursuing the remedies to which it is entitled pursuant to Clause 8.1.

8.3 Extent of Lender's remedy

No remedy against the Borrower, other than as referred to in this Clause 8, shall be available to the Lender, whether for the recovery of amounts owing in respect of the Advance or under this Agreement or in respect of any breach by the Borrower of any of its other obligations under or in respect of the Advance or under this Agreement.

9 Assignment and Transfer

9.1 No Borrower assignment:

The Borrower may not at any time assign, transfer, charge or deal in any other similar manner with any of its rights under this Agreement.

9.2 No Lender assignment:

The Lender may not at any time assign, transfer, charge or deal in any other similar manner with any of its rights under this Agreement, save that the Lender shall transfer or assign its rights under this Agreement to any person substituted as issuer of the Notes contemporaneously with such substitution.

10 Partial Invalidity

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any jurisdiction, that shall not affect the legality, validity or enforceability of the remaining provisions in that jurisdiction or of that provision in any other jurisdiction.

11 Miscellaneous

11.1 Governing law

This Agreement and any non-contractual obligations arising out of or in relation to this Agreement are governed by English law.

11.2 Jurisdiction

- (i) The English courts shall have exclusive jurisdiction in relation to all disputes arising out of or in connection with this Agreement (including claims for set-off and counterclaims), including, without limitation, disputes arising out of or in connection with: (A) the creation, validity, effect, interpretation, performance or non-performance of, or the legal

relationships established by, this Agreement; and (B) any non-contractual obligations arising out of or in connection with this Agreement. For such purposes each party irrevocably submits to the jurisdiction of the English courts and waives any objection to the exercise of such jurisdiction.

- (ii) The Borrower agrees that a judgment or order of any court referred to in this Clause 11.2 is conclusive and binding and may be enforced against it in the courts of any other jurisdiction.

11.3 Third parties

The terms of this Agreement may be enforced only by a party to it and the operation of the Contracts (Rights of Third Parties) Act 1999 is excluded.

11.4 Notice to PRA etc.

No modification to this Agreement shall become effective unless the Borrower shall have satisfied the Regulatory Clearance Condition.

11.5 Counterparts

This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

In witness whereof the parties hereto have caused this Agreement to be duly executed on the date first written above.

SIGNED for and on behalf of

PHOENIX GROUP HOLDINGS

SIGNED for and on behalf of

PHOENIX LIFE HOLDINGS LIMITED

By:

USE OF PROCEEDS

The net proceeds of the issue of each Series or Tranche of Notes will be used to fund the general business and commercial activities of the Group, including the refinancing of Group borrowings.

INFORMATION ON PHOENIX GROUP HOLDINGS AND THE GROUP

Overview

The Group specialises in the management and acquisition of closed life and pension funds and operates primarily in the UK. As at 31 December 2016, the Group had approximately 6.1 million policyholders, £76 billion of assets under management and Solvency II Own Funds of £6.7 billion. Measured by total assets, the Group is the UK's largest specialist consolidator of closed life insurance funds. The Group is primarily focused on the efficient management of in-force policies and writes limited new policies (currently increments to existing policies, annuities for current policyholders when their policies mature and a limited set of direct protection policies).

The Group has four operating life insurance companies which hold policyholder assets, Phoenix Life Limited (“**PLL**”), Phoenix Life Assurance Limited (“**PLAL**”), Abbey Life Assurance Company (“**ALAC**”) and AXA Wealth Limited (together the “**Life Companies**”). The Group's two principal management service companies, Pearl Group Services Limited (“**PGS**”) and Pearl Group Management Services Limited (“**PGMS**”), aim to provide all administrative services required by the Life Companies (or manage the provision of such services through outsourcing arrangements), including policy administration, information technology, finance and facility management services.

History

Phoenix Group Holdings, previously named Liberty International Acquisition Company, then Liberty Acquisition Holdings (International) Company and then Pearl Group, was incorporated on 2 January 2008 under the laws of the Cayman Islands as an exempted company with limited liability, under registration number 202172. PGH was originally formed as a non-operating special purpose acquisition company by Berggruen Acquisition Holdings II Ltd and Marlin Equities IV, LLC to acquire one or more operating businesses with principal activities outside North America.

Units of PGH, comprising both ordinary shares (“**Shares**”) and the warrants in respect of the Shares (“**Public Warrants**”), were initially admitted for trading on Euronext Amsterdam on 6 February 2008. However, the Shares and Public Warrants began to trade separately on 14 March 2008, following which the units ceased to exist as separate securities and were no longer listed.

On 29 June 2009, PGH announced that it had agreed to acquire the insurer Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited, “**PGH2**”) and its subsidiaries (the “**Pearl Group Acquisition**”). PGH2 was established in April 2005 in connection with the £1.1 billion acquisition of HHG plc's closed life companies by, amongst others, TDR Capital Nominees Limited and certain principals of Sun Capital Partners, and was further expanded in connection with the £5 billion acquisition of Resolution plc in May 2008 and the simultaneous sale of certain assets and companies held by Resolution plc to The Royal London Mutual Insurance Society Limited for £1.3 billion. The Pearl Group Acquisition completed on 2 September 2009 when PGH changed its name to Pearl Group.

The Shares were admitted to the Official List of the FCA and to trading on the London Stock Exchange on 17 November 2009. PGH achieved a Premium Listing of the Shares on the London Stock Exchange and admitted the Public Warrants to the Official List of the FCA and to trading on the London Stock Exchange on 5 July 2010. The Group achieved inclusion into the FTSE 250 index on 20 September 2010. The Shares and Public Warrants were delisted from Euronext Amsterdam on 17 November 2010.

On 25 March 2014, the Group agreed to dispose of the entire issued share capital of Ignis Asset Management to Standard Life Investments, in return for total consideration of £390 million which was paid in cash on completion of the divestment. Ignis Asset Management was the Group's asset management business, providing asset management and asset and liability management services to the Life Companies as well as to a third party

client base of retail, wholesale and institutional investors in the UK and overseas. Completion of the divestment occurred on 1 July 2014. A payment of £6 million was made to Standard Life Investments on 24 September 2014 in relation to certain contractual balance sheet adjustments which could not be calculated until after closing. PGH and Standard Life Investments have also reached agreement on a long-term strategic asset management alliance. The proceeds of the divestment were used to prepay £250 million of certain of the Group's debt facilities.

On 23 July 2014, the Group entered into the Revolving Credit Agreement, as amended and restated on 21 March 2016. Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate amount equal to £900 million.

On 3 September 2014, the Public Warrants expired and were delisted from the London Stock Exchange. As at the date of this Prospectus, 5 million outstanding redeemable lender warrants in PGH remain outstanding.

On 29 June 2015, the Group entered into an agreement to divest Scottish Mutual International Limited ("**Scottish Mutual International**") (which had 3,000 remaining policyholders) for £14 million. This divestment was completed on 2 December 2015.

On 6 August 2015, PGH announced that each of the Life Companies had been assigned the Insurer Financial Strength rating of "A" with a stable outlook by Fitch Ratings Ltd. The outlook was revised to positive on 27 May 2016.

On 9 November 2015, PGH entered into an agreement with RGA International Reinsurance Company Limited ("**RGA International**"), an external reinsurer, effective from 1 November 2015, to reinsure substantively all of the PLAL annuity liabilities previously ceded to Opal Re, a subsidiary undertaking of PGH. The Group paid a reinsurance premium of £1,346 million to RGA International.

Recent developments

Acquisition of the SunLife Embassy Business

On 1 November 2016, the Group acquired the SunLife Embassy Business from AXA UK plc for £373 million in cash. The acquisition added £12 billion of assets under management and over 910,000 policyholders to the Group and is expected to generate cashflows of approximately £300 million in aggregate between 2016 and 2020 and approximately £200 million in aggregate from 2021 onwards.

Acquisition of Abbey Life

On 30 December 2016, the Group acquired Abbey Life Assurance Company Limited, Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited from Deutsche Holdings No. 4 Ltd., a wholly-owned subsidiary of Deutsche Bank AG for £933 million in cash. Proceeds from rights issue of 144,727,282 new shares at 508 pence per new share, which closed on 25 October 2016 were applied towards the consideration paid for the Acquisition.

The acquisition added £10 billion assets under management and 735,000 policyholders. It is expected to generate approximately £0.5 billion of aggregate cashflows between 2016 and 2020 and approximately £1.1 billion in aggregate from 2021 onwards.

Onshoring of PGH

As part of the on-going simplification of the Group structure, the Group intends to put in place a new UK-registered holding company for the Group in 2018. The directors of PGH believe that this will provide the Group with a streamlined internal governance structure, reducing operating expenses and complexity, and providing greater clarity for the Group's stakeholders, including shareholders, bondholders and other providers of debt. It will also simplify the supervision of the Group by its regulators, including the PRA. To establish a

new holding company, the Group may need to obtain the consent of shareholders and various regulatory approvals, which are not wholly within the control of the directors of PGH. In relation to such onshoring, PGH was substituted in place of PGHC as principal obligor under the Existing Bank Debt and the Existing Bonds on 20 March 2017.

Annuity business transfer agreements

In line with an amended and restated business transfer agreement dated 23 August 2016 agreed between PLL, ReAssure Life Limited (“**RALL**”) and ReAssure Limited (a sister company of RALL), on 31 December 2016 PLL transferred to ReAssure Limited by order of a Court sanctioned scheme under Part VII of FSMA certain annuity policies.

Strengths and strategy of the Group

Strengths

The directors of PGH believe that the Group’s key strengths are as follows:

As the Group is primarily focused on the efficient management of in-force policies and writes limited new policies, the Group has high visibility of its cashflows over the long term due to the predictable nature of the Group’s funds.

The Group’s closed life funds provide predictable fund maturity and liability profiles, generating expected long-term cashflows supporting payment of pension obligations, distributions to PGH’s shareholders and payment of outstanding debt obligations. As the Group is primarily focused on the efficient management of in-force policies and writes limited new policies (currently increments to existing policies, annuities for current policyholders when their policies mature and a limited set of direct protection products), the Group does not need to allocate significant capital to support the writing of new policies. Instead, the largest part of the costs of the Group’s closed life funds are recurring expenses.

The Group’s cashflows are largely generated from the interest earned on capital, policyholder charges and participation in investment returns. Although the impact of the Group’s participation in investment returns is not predictable, investment risks are mainly borne by policyholders in accordance with the terms of the relevant policies. In addition, as the Life Companies’ policies run off, excess capital supporting these liabilities can be released from the Life Companies to their shareholders, the Holding Companies. The predictable stream of profits from the run-off of the closed life funds provides some certainty of tax relief on debt interest. In 2015 and 2016, £225 million and £486 million, respectively, of cash was distributed from the Life Companies to the Holding Companies.

The Group is the largest specialist closed life fund consolidator in the UK, with a simplified and scalable business model, allowing it to benefit from economies of scale, diversification benefits and the ability to save costs both internally and through outsourcing arrangements.

With approximately 6.1 million policyholders as at 31 December 2016, the Group is the largest UK specialist closed life fund consolidator by total assets. The Group has a track record and an expertise in creating value through integration of acquisitions and financial management, including through realising synergies from acquisitions and focusing on improving outcomes for policyholders of closed life funds. The directors of PGH believe that these factors position the Group as a leading consolidator of closed life funds, resulting in a significant value creation opportunity.

The directors believe that the Group’s business model provides additional value and scalability, by using outsourced service providers to match its cost base to the run-off profile of the policies held within the Group’s closed life funds, as the charges of outsourced service providers are generally based on a variable, per policy cost structure.

The Group seeks to manage the level of costs and required capital by combining life funds, allowing for greater diversification of risks.

There is significant opportunity to create value and accelerate cashflows through the continued implementation of 'The Phoenix Way'.

'The Phoenix Way' characterises an approach and infrastructure for the efficient and effective structuring, integration and management of closed life funds and the investments they hold. By applying a consistent framework across the Group, the directors of PGH believe that 'The Phoenix Way' reduces risk, complexity and cost; improves investment performance; enhances customer service through efficient cooperation with the Group's outsourced partners; increases Solvency II Own Funds; and releases capital to shareholders. An example of 'The Phoenix Way' involves the consolidation of a disparate collection of actuarial valuation models onto a single platform, the actuarial systems transformation programme, with the aim of reducing operational risk (and associated capital) of actuarial modelling, improving the quality and frequency of capital monitoring and improving cost efficiency through the simplification and standardisation of actuarial processes. The actuarial systems transformation programme is an essential part of managing the Group's life businesses under the Solvency II regime.

The directors believe that there are opportunities to further increase value and cashflows to the Holding Companies through additional management actions. Further actions that can create value include the reduction of operational risk and investment in alternative asset classes such as equity release mortgages.

The Group actively manages its assets and liabilities to help protect and enhance policyholder and shareholder returns.

The Group aims to manage its assets and liabilities to ensure a prudent approach to risk and to give it the ability to use capital efficiently whilst having more control over management of investment and market risk for both policyholders and shareholders. This includes the matching of asset and liability cashflows to reduce capital requirements. In particular, the release of capital through the elimination of unrewarded risk can enable the achievement of higher risk adjusted returns.

Strategy

The Group is the UK's largest specialist closed life and pension fund consolidator measured by total assets, with £76 billion of assets under management and approximately 6.1 million policyholders as at 31 December 2016. The Group seeks to improve returns for its policyholders and customers, to deliver value for shareholders, and to be recognised as the leading solutions provider for the safe, innovative and profitable decommissioning of closed life funds in the UK. To enable this, the Group's strategy is to act as a consolidator of life and pensions books that are closed to new business and to deploy its specialist skills across operational efficiency, capital management, regulation and other key areas.

The Group's areas of strategic focus are:

- **Closed book consolidation:** The Group is a consolidator of life and pensions books which are predominantly closed to new business. The directors of PGH believe that such books of business are best managed within a specialist scale platform and that existing and anticipated market dynamics will generate a supply of potentially attractive acquisition targets. These dynamics include the impact of the regulatory framework for financial services companies, such as the Solvency II and Basel 3 regulations. In addition, the directors of PGH believe that the opportunity to make acquisitions is supported by ongoing capital pressure within the sector, the trend of recycling and refocusing capital from mature to growth markets, the decline in new with-profit business, changing customer demands and regulatory change driving consolidation in the mutual sector. The directors of PGH believe that this opportunity is

also supported by the migration of customers to alternative products, creating legacy products and their infrastructure which face cost challenges as the policies run off. The management of these books requires specialist skills, particularly in regulation, operational efficiency, capital management, governance and liability customised asset management. To maintain its competitive advantage and maximise the potential for value creation, the Group develops specialist expertise to identify, pursue and execute suitable opportunities in the closed life space. Given the opportunities and its experience, the Group remains predominantly focused on the UK.

- ***Disciplined approach to M&A:*** The Group seeks to make acquisitions consistent with its strategic focus and which meet its acquisition criteria. In this regard, the Group seeks to create value by optimising its Solvency II capital position and to generate increased cashflows to support the payment of dividends, whilst targeting a level of debt that allows the Group to maintain its investment grade rating.
- ***Capital management and management actions:*** The effective management of the Group's risks and the efficient allocation of capital against them is critical in allowing the Group to achieve its strategic and operational objectives. The Group's Solvency II Internal Model has been approved by the PRA as part of the Solvency II regime. In addition, the Group seeks to implement certain management actions to optimise its capital position and cashflows, such as fund mergers and de-risking. As the Group grows through acquisitions, the opportunities for capital management and management actions tend to increase. In addition, the Group is considering refinancing all or part of its existing senior debt through the issuance of longer-term, subordinated debt.
- ***Realise the benefits of scale:*** Acquisitions are important to the Group's model not only to offset the natural decline of a business largely closed to new business, but also to grow the business and create additional value from scale advantages. Increased scale provides the Group with a number of key differentiating features including the ability to drive operational efficiencies and achieve diversification benefits, as well as ultimately enabling further acquisitions. To take advantage of acquisition opportunities, the Group has created a scalable operating model and adopts a disciplined pricing model which is supported by the Group's Solvency II Internal Model.
- ***Operational efficiency:*** The Group routinely applies 'The Phoenix Way' to increase operational efficiency through the standardisation and streamlining of key processes, which will in turn reduce costs, improve performance and maximise value. As a result of 'The Phoenix Way', the Group seeks to eliminate unnecessary cost from its business model. In part this is achieved through outsourcing administrative tasks to selected third parties. When the Group acquires new books of business, this scalable outsourced model supports the delivery of cost savings.
- ***Optimised financing structure:*** In managing the Group's capital, the Group seeks a level of debt that enables it to maintain an investment grade rating and optimise its funding costs and financial flexibility for further acquisitions. As part of its financing strategy, the Group has simplified its financing arrangements, by substituting PGH as issuer under its 2021 Bonds, 2022 Notes and 2025 Notes on 20 March 2017. PGH is the borrower of amounts outstanding under its Revolving Credit Agreement.
- ***Improving customer outcomes:*** The Group aims to improve customer experiences through its focus on its chosen market, high levels of governance and extensive experience. The Group has three key areas of focus in relation to its customers, namely:

Value: the Group aims to optimise customer outcomes;

Service: treating customers fairly, with empathy as well as respect, and all in a timely fashion; and

Security: ensuring customer investments are secure in a well-managed company.

By focusing on these areas proactively and responsibly, the directors of PGH believe that the Group can create value in the long term in a highly regulated sector.

- **Regulatory experience:** The Group is regulated in the UK by the PRA and the FCA. The Group is aligned with the aims of both regulators, in seeking both to protect customers and their lifetime savings, and to manage its business with a prudent perspective on financial metrics including capital. It has a strong team of experienced individuals managing its regulatory relationships.

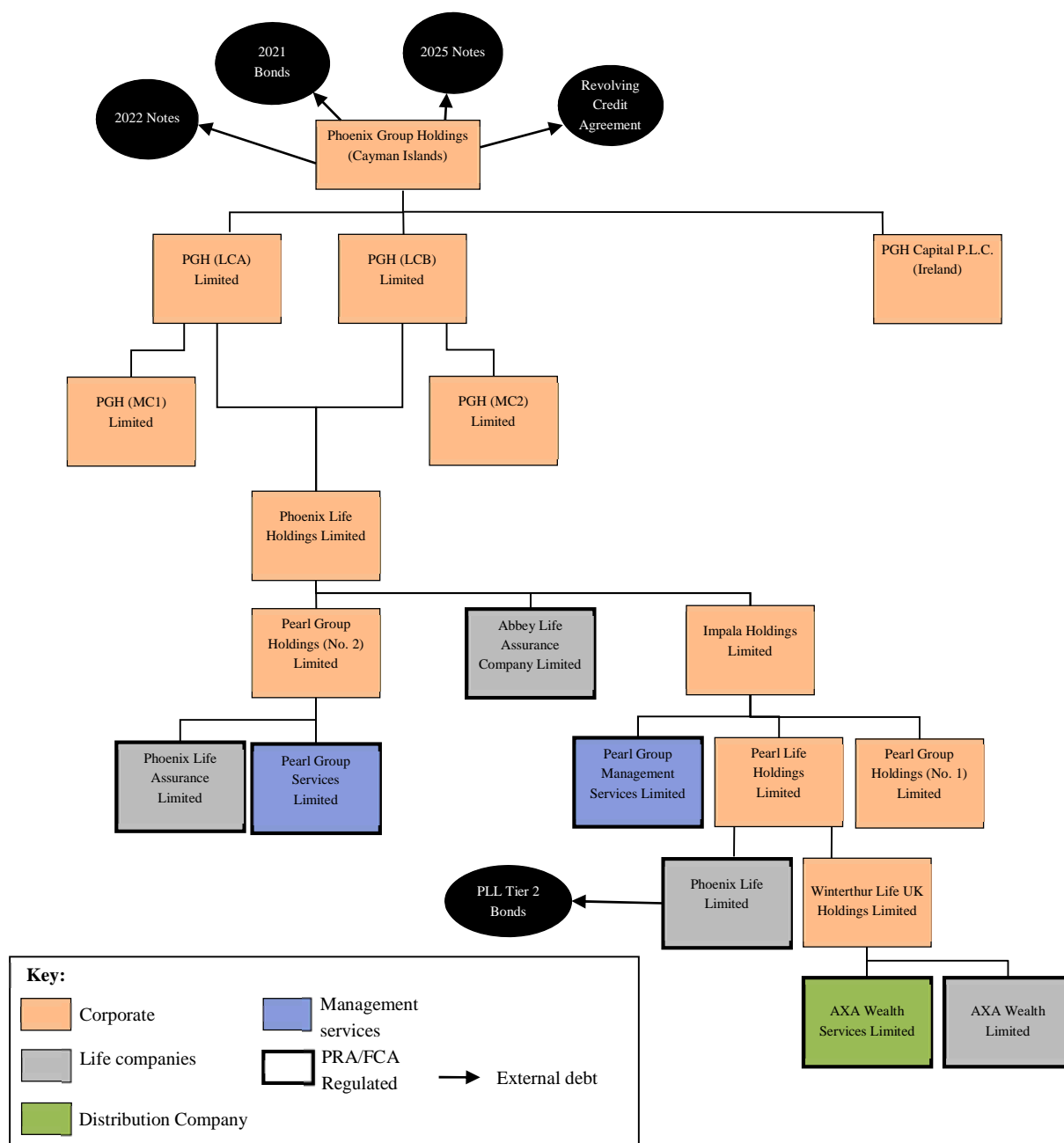
Structure of the Group

The Group operates one business segment: life insurance business (including its management services operations), which is referred to as Phoenix Life. The Group's UK-based Group functions provide support and co-ordination for the delivery of the Group's strategic initiatives.

The holding company structure between PGH and the Life Companies includes several holding companies which were established in relation to the acquisitions of the Original Pearl Life Companies and their affiliates in 2005 and the Resolution Group in 2008.

Phoenix Life Holdings Limited is currently the ultimate EEA insurance holding company for group capital purposes. The IGD calculation and the PLHL (Group) ICA were therefore historically prepared at that level and the Solvency II group SCR is also calculated at that level as at the date of this Prospectus. The Solvency II Directive requires reporting at ultimate EEA holdco level and ultimate insurance holdco level. The current PRA "other methods" waiver which provides for the ultimate insurance holding company requirements to be satisfied by other methods applies from 1 January 2016 until 30 June 2017 (unless extended by the PRA and subject to its terms) and therefore from its expiry the Solvency II regime's reporting requirements (including Group supervision) apply at PGH level. As part of the on-going simplification of the Group structure, the Group intends to put in place a new UK-registered holding company for the Group in 2018. The new company will be both the ultimate EEA and insurance holding company and therefore Solvency II capital assessment and Group supervision will be performed at this level. Pending the completion of the simplification of the Group structure, regulatory supervision and Solvency II capital adequacy assessment is expected to be performed at both the PLHL and PGH level. See also the risk factor entitled "*Regulatory capital and other requirements may change*" in the section of this Prospectus headed "*Risk Factors*".

The following chart gives an overview of the legal structure of the Group and its principal companies as at the date of this Prospectus.



Notes:

Shareholdings are 100 per cent., save in relation to Phoenix Life Holdings Limited which is owned 50 per cent. by PGH (LCA) Limited and 50 per cent. by PGH (LCB) Limited.

The chart only includes companies that PGH and PGHC deem to be material in the context of the Group as a whole.

Phoenix Life is responsible for the financial and operational management of the closed life insurance fund business of the Group with the support of the management service companies and outsourced service providers.

Simplification of the Group's structure

PGH has taken significant steps in recent years to reduce the level of debt within the Group and to simplify its corporate structure. It continues to look for opportunities to further diversify away from senior bank debt and is considering issuing longer-term, subordinated debt. This would allow the Group to suitably match its long-term cashflows with a longer term debt profile. In addition, replacing some of the Group's existing senior debt

with subordinated debt will improve the capital position of PGH if PGH were to be included in the Solvency II group regulatory capital calculation. This is not currently the case due to the Group's "other methods" waiver (which allows the Group to exclude PGH from its current group regulatory capital calculation).

The current holding company structure was formed at the time of the Group's restructuring in 2009, with PGH being a company incorporated in the Cayman Islands and domiciled in Jersey. This structure is complex for PGH's stakeholders and imposes additional burdens on its internal governance processes. As part of the ongoing Group simplification process, the Group intends to put in place a new UK-registered holding company for the Group in 2018. See "*Recent developments – Onshoring of PGH*" above.

Insurance business Life Companies

The Life Companies are regulated entities that hold the Group's policyholder assets. The Life Companies are regulated by both the FCA and PRA. Over time, the Group has reduced the number of its individual life companies through insurance business transfers to optimise capital allocation and economies of scale, the most recent being the insurance business transfer of all of the business of National Provident Life Limited ("**National Provident Life**") to PLAL in 2015.

Although the Life Companies are closed life fund companies and do not generally write new business, they do accept additional policyholder contributions on in-force policies and allow certain policies, such as pension savings plans, to be reinvested at maturity into annuities written by a Life Company. Writing annuities offers the Group a further opportunity to increase its value through profit margins and incremental investment returns.

AXA Wealth Limited writes life insurance known as "Guaranteed Over 50s" cover. This is "protection" insurance for individuals over 50 years old which will pay out upon their death. This insurance provides diversification benefit for the Group because trends towards increased life expectancy will increase liabilities under the annuities written by the Life Companies while delaying the payment of liabilities under life insurance policies written by AXA Wealth Limited.

Following completion of the AXA Transaction, the Group writes a limited set of directly marketed protection policies, including Guaranteed Over 50s policies (life insurance policies available to people over 50 years of age, which pay out upon the death of the life assured). AXA Wealth Services Limited provides the distribution channel for SunLife business. It receives commissions and incurs costs on behalf of SunLife in relation to the distribution of third party products and is party to distribution contracts with SunLife corporate partners.

Reinsurance - Overview

The Life Companies reinsure certain liabilities both to other companies in the Group and to third party reinsurers as part of their ongoing risk and capital management policies, as well as to benefit from operational synergies.

Reinsurance - Internal reinsurance

PLAL acts as the reinsurer for various blocks of pensions annuity business as well as with-profit bond business and with-profit elements of unitised with-profit contracts reassured to it by PLL. PLAL reinsures a significant block of unit-linked business to PLL. The business of AXA Wealth Limited has been reinsured into PLL.

The various life funds within PLL and PLAL themselves hold a significant amount of intra-fund arrangements, mostly to achieve financial and operational synergies.

Reinsurance - External reinsurance

The Group's external reinsurance arrangements are spread across a number of reinsurers. These reinsurance arrangements cover a range of policy risks, including annuity, mortality and morbidity, long-term disability, critical illness and some investment risk.

Management services overview

Each of the Life Companies is responsible to its policyholders for the administration of its policy portfolio and the provision of policyholder services, such as the collection of premiums, the provision of policyholder statements, the settlement of claims, the provision of website access and information, and the provision of policyholder information and other related support through contact service centres.

For certain Life Companies, with the exception of ALAC, and to allow the Life Companies to benefit from economies of scale, efficient outsourcing partnerships and an innovative integrated technology infrastructure, Phoenix Life's two UK management service companies, PGS and PGMS, provide, or manage the provision of, policyholder services for the Life Companies under management service agreements. PGS and PGMS are similar in the way they operate and are managed as a single unit. By using management service companies, the Life Companies benefit from increased price certainty and a transfer of some operational risks to the management service companies.

If the number of policies held by the Group gradually declines over time, the fixed cost base of the Group's operations as a proportion of policies may increase. The Group's management service companies manage this risk by putting in place long-term arrangements for third party policy administration. By paying a fixed price per policy to the outsourced service providers, the Group minimises the fixed cost element of its operations and allows for positive scalability following acquisitions.

Specialist roles such as finance, actuarial and risk management are retained in-house, ensuring the Group retains full control over the core capabilities necessary to manage and integrate closed life funds. The Life Companies continue to retain ultimate responsibility to their policyholders, actively manage service provision and aim to achieve improvement in the quality of services delivered to policyholders.

The directors of PGH believe that consolidating policyholder services within Phoenix Life's two management service companies increases quality of service provision for policyholders. This also enables the Life Companies to share the costs of the provision of these services and other corporate overhead costs and allows the Group to benefit from efficiency savings, reductions in operational risks and the release of risk capital.

In addition, Phoenix Life also has a management service company incorporated in Ireland, Pearl Group Management Services (Ireland) Limited ("**PGMS Ireland**"), which provides administration services to Scottish Mutual International (a former Group Company) under a management services agreement and a transitional services agreement.

Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement

In accordance with EIOPA and PRA requirements, from 1 January 2016 the Group has undertaken a Solvency II capital adequacy assessment at the level of the highest EEA insurance group holding company, which is PLHL. This involves a valuation in line with Solvency II principles of PLHL's own funds and a risk-based assessment using an internal model of PLHL's SCR.

The estimated PLHL Solvency II surplus position at 31 December 2016 and 31 December 2015 is set out below:

	Year ended 31 December 2016 £bn	Year ended 31 December 2015 £bn
Own funds ^{(1) (3)}	6.7	5.7
Solvency capital requirement ⁽²⁾	(5.0)	(4.4)
Solvency II surplus (estimated)⁽³⁾	1.7	1.3

Notes:

- (1) PLHL own funds includes the net assets of the life and holding companies calculated under Solvency II rules, pension scheme surpluses calculated on an IAS19 basis not exceeding the holding companies' contribution to the Group SCR and qualifying subordinated liabilities. It is stated net of restrictions for assets which are non-transferrable and fungible between Group Companies within a period of nine months.
- (2) Solvency capital requirements relate to the risks and obligations, to which the PLHL Group is exposed. The capital assessment of the acquired AXA and Abbey Life businesses remained on a standard formula basis as at 31 December 2016. The remainder of the Group's solvency capital requirements are calculated using the Group's approved internal model.
- (3) Equates to a coverage ratio of 134% as at 31 December 2016 (130% at 31 December 2015).

As at 31 December 2016, PLHL's Solvency II surplus included the effects of an assumed recalculation of the transitional deduction as at that date and reflects amortisation since 1 January 2016. Accordingly the year end position includes a transitional deduction of £1.9 billion (excluding the unsupported with-profit funds), which offsets £1.3 billion of risk margin and £0.6 billion of other technical provisions recognised in the Life Companies. The run-off of the transitional deduction over time will be substantially offset by the reduction of the risk margin therefore mitigating any resulting impact on the Solvency II surplus.

The PLHL Solvency II surplus excludes surpluses arising in the Group's with-profit funds and Group pension schemes of £0.4 billion and £0.5 billion as at 31 December 2016 and 31 December 2015, respectively. In the calculation of the Solvency II surplus, the SCR of the with profit funds and Group pension schemes is included, but the related Own Funds are recognised only to a maximum of the SCR amount. Surpluses that arise in with profit funds and Group pension schemes, whilst not included in the Group Solvency II Surplus, are available to absorb economic shocks. This means that the headline surplus is highly resilient to economic stresses.

As part of the Group's internal risk management processes, regulatory capital requirements are tested against a number of financial scenarios. The results of that stress testing⁽¹⁾ are provided below and demonstrate the resilience of the PLHL Solvency II surplus.

	PLHL Solvency II surplus (change in £bn)
Following a 20% fall in equity markets	0
Following a 15% fall in property values	- 0.1
Following a 55bps interest rate rise ⁽²⁾	+ 0.1
Following a 80bps interest rates fall ⁽²⁾	- 0.1
Following credit spread widening ⁽³⁾	- 0.1
Following 6% decrease in annuitant mortality rates ⁽⁴⁾	- 0.3

**PLHL Solvency II
surplus (change in
£bn)**

Following 10% increase in assurance mortality rates	- 0.1
Following a 10% change in lapse rates ⁽⁵⁾	- 0.1

Notes:

- (1) Assumes stress occurs on 1 January 2017
- (2) Assumes recalculation of transitionals (subject to PRA approval)
- (3) Credit stress equivalent to an average 150bps spread widening across ratings, 10% of which is due to defaults/downgrades
- (4) Equivalent of 6 months increase in longevity applied to the annuity portfolio
- (5) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups

Excluding the SCR and Own Funds relating to unsupported with profit funds and Group pension schemes, the estimated Shareholder Capital Coverage Ratio was 159 per cent. and 154 per cent. as at 31 December 2016 and as at 31 December 2015, respectively.

The estimated PLHL Solvency II surplus as at 31 December 2016 takes no account of the issuance in January 2017 of the 2022 Notes (the on-loan of which qualifies as Solvency II capital), and the subsequent use of the proceeds to repay an equivalent amount of the Group's outstanding senior bank debt. It also does not reflect the impact of incorporating the acquired AXA businesses within the scope of the Group's internal model following receipt of approval from the PRA to do so in March 2017. These developments are expected to increase the PLHL Solvency II surplus by £0.2 billion and the Shareholder Capital Coverage Ratio by 11 percentage points.

As noted above, the Solvency II capital assessment and the Group's regulatory supervision is performed at the PLHL level as this is the highest EEA insurance Group holding company. A waiver is currently in place which permits Group supervision to take place at the level of the ultimate parent, PGH, via other methods, as opposed to full Group supervision. This waiver is due to expire on 30 June 2017.

As part of the ongoing simplification of the Group structure, Phoenix intends to put in place a new UK-registered holding company. When complete, the Solvency II capital assessment and Group supervision will only be performed at this level.

From 1 July 2017 and pending completion of the simplification of the Group structure, regulatory supervision and the Solvency II capital assessment is expected to be performed at the PLHL and PGH levels. Following substitution of PGH in place of PGHC as the issuer of the 2022 Notes and the 2025 Notes, the key difference between the PLHL Solvency II surplus and the PGH Solvency II surplus will be the inclusion of the Group's senior debt within the PGH-level Own Funds calculation. After taking account of the issuance of the 2022 Notes in January 2017 and subsequent repayment of amounts due under the Group's revolving credit facility, inclusion of the Group's remaining senior debt is expected to reduce the PGH Solvency II surplus by £0.8 billion and the Shareholder Capital Coverage Ratio by 32 percentage points when compared to the PLHL position. The positive impact that arises from the elimination of intragroup balances with entities outside of the PLHL sub-group and the recognition of additional assets held at the PGH level, is broadly offset by the recognition of the 2016 final dividend (deducted from Own Funds as a foreseeable dividend).

Minimum Capital Requirement

The minimum capital requirement (MCR) is intended to be the minimum amount of capital an insurer is required to hold pursuant to Solvency II below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations.

MCR is calculated according to a formula prescribed by the Solvency II regime and is subject to a floor of 25 per cent. of the SCR or €3.7m, whichever is higher, and a cap of 45 per cent. of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk. PLHL's estimated MCR at 31 December 2016 was £1.3 billion, representing the sum of the Group's underlying insurance companies' MCRs. The eligible own funds to cover the MCR is £6.1 billion leaving an excess of eligible own funds over MCR of £4.8 billion.

Outsourcing relationships

The Group's outsourced service providers are specialist providers of life and pensions administration services, asset management and fund administration services, with the know-how, expertise and business models that put asset management and administration at the core of their service offerings. The services provided by outsourced service providers include policy administration, human resources, financial administration, asset management and fund administration services.

The most significant outsourcing relationships for policy administration services are with Diligenta and Capita Life and Pensions, and for asset management services is that with Ignis Investment Services Limited, part of the Standard Life group, Deutsche Asset Management (UK) Ltd, and Aberdeen Asset Investments Ltd. In addition, there are a number of other key outsourcing partners.

As closed life funds run-off, fees generated from the management of policies generally decrease over time. Therefore, the Group is best served by closely aligning its costs with the policy run-off profile of its book. Any costs that do not decline in line with a declining policy book create potential operating profit challenges. The use of outsourced service providers enables the Group to better shift its cost base from a largely fixed cost base to a more variable per-policy basis. The Group's outsourced service providers are also able to offer their services at a competitive price per policy due to their larger economies of scale and infrastructure investments.

Group functions

The Group operates centralised functions that provide Group-wide and corporate-level services and manage corporate activity. The Group-level operations include Group Finance, Treasury, Group Tax, Group Actuarial, Group Risk, Legal Services, HR, Corporate Communications, Strategy and Corporate Development, Investor Relations, Company Secretariat and Group Internal Audit.

Substantial Shareholdings

Information provided to PGH pursuant to the FCA's Disclosure and Transparency Rules regarding its substantial shareholders is published on a Regulatory Information Service and on PGH's website. As at the date of this Prospectus, PGH had been notified of the following significant holdings of voting rights in its Shares.

Name	Number of voting rights in Ordinary Shares as at 24 March 2017	Percentage of Ordinary Shares in issue as at 24 March 2017 ⁽¹⁾
Artemis Investment Management LLP	30,921,652	7.87
Aviva plc and its subsidiaries	21,217,596	5.40
Ameriprise Financial, Inc. and its group	20,065,999	5.10
BlackRock, Inc.	20,268,506	5.15

Note:

- (1) There exist 5,000,000 outstanding redeemable Lender Warrants in PGH. Each Lender Warrant is exercisable into 1.027873 Shares of PGH at a warrant price of £14.59 per share. If they are exercised, PGH will be required to issue up to 5,139,365 additional Shares.

Insofar as is known to PGH, PGH is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the substantial shareholders referred to above has different voting rights from other shareholders.

Subsidiaries and Investments

PGH is the principal operating and holding company of the Group. As at the date of this Prospectus, the principal subsidiaries and subsidiary undertakings of PGH are as follows:

Wholly-owned subsidiaries

Name	Registered office	Class of shares	Proportion of share capital held by the Group	Nature of business
Abbey Life Assurance Company Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 each	100 per cent.	Insurance company
AXA Wealth Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 each	100 per cent.	Insurance company

Name	Registered office	Class of shares	Proportion of share capital held by the Group	Nature of business
AXA Wealth Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 each	100 per cent.	Distribution company
Impala Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	'A' ordinary shares of £1, 'B' ordinary shares of £1, 'C' ordinary shares of £1 and 'D' Ordinary shares of £1	100 per cent.	Holding company
Pearl Group Holdings (No. 1) Limited	Juxon House 100 St Paul's Churchyard London EC4M 8BU United Kingdom	Ordinary shares of £0.05	100 per cent.	Finance company
Pearl Group Holdings (No. 2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
Pearl Group Management Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Service company
Pearl Group Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Service company
Pearl Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
PGH (LCA) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company
PGH (LCB) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company
PGH (MC1) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company

Name	Registered office	Class of shares	Proportion of share capital held by the Group	Nature of business
PGH (MC2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Finance company
Phoenix Life Assurance Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	'A' Ordinary shares of £0.05 and 'B' ordinary shares of £1	100 per cent.	Insurance company
Phoenix Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Holding company
Phoenix Life Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1	100 per cent.	Insurance company
PGH Capital Public Limited Company	Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland	Ordinary shares of £1	100 per cent	Finance company
Winterthur Life UK Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	Ordinary shares of £1 each	100 per cent	Holding company

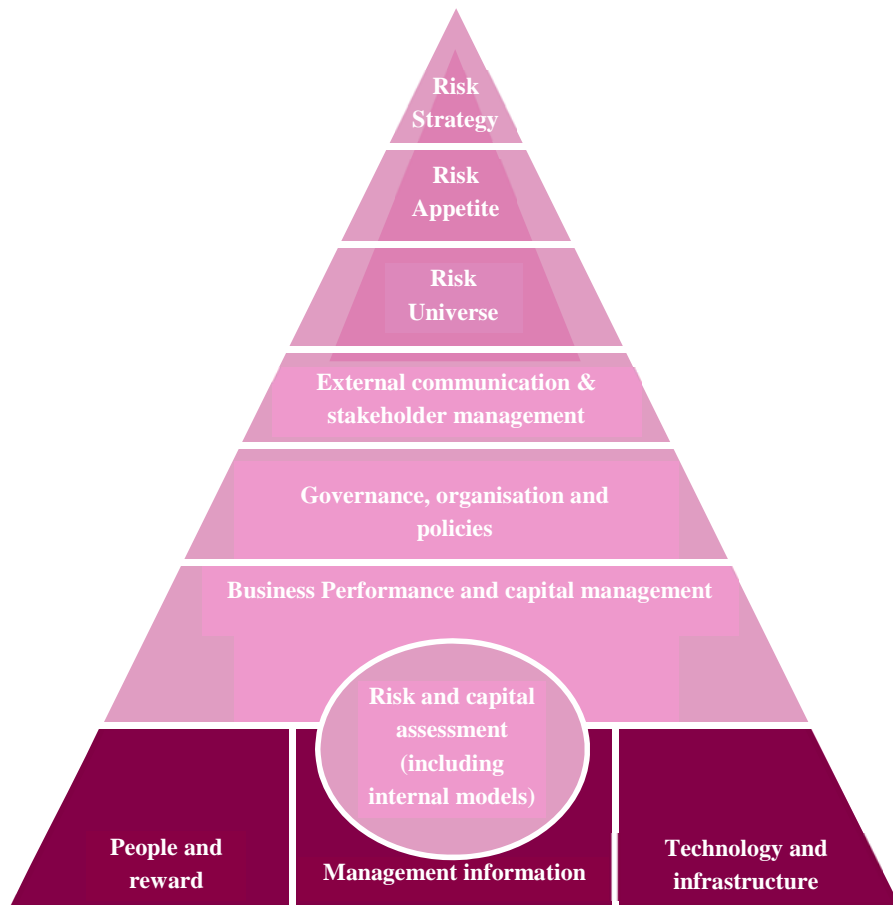
Risk management

Risk management lies at the heart of what the Group does and is a source of value creation, making it a key component of the Group's strategic agenda. The Board seeks to ensure that the Group identifies and manages all risks accordingly, either to create additional value for its stakeholders or to mitigate any potentially adverse effects to the Group.

The Group's Risk Management Framework

The Group operates a Risk Management Framework ("RMF") which seeks to establish a coherent and interactive set of arrangements and processes to support the effective management of risk throughout the Group. The components of the framework are described below. The outputs of the RMF provide assurance that risks are being appropriately identified and managed and that an independent assessment of management's approach to risk management is being performed.

The Group is now implementing its risk management approach in the AXA Wealth and Abbey Life businesses and using its framework to manage the associated integration risks.



Risk strategy

The Group’s risk strategy provides an overarching view of how risk management is incorporated consistently across all levels of the business, from decision-making to strategy implementation. It also sets out how overall risk management within the Group is proportionate to the nature, scale and complexity of the risks faced by the business.

Risk appetite

The Group’s risk appetite framework consists of a set of statements and targets that articulate the level of risk the Group is willing to accept, in pursuit of shareholder value and achievement of the Group’s strategic objectives. The statements encapsulate policyholder security, earnings volatility, liquidity and the internal control environment as follows:

- ***Capital*** — The Group and each Life Company will hold sufficient capital to meet regulatory requirements in a number of asset and liability stress scenarios.
- ***Cashflow*** — The Group will seek to ensure that it has sufficient cashflow to meet its financial obligations and will continue to do this in a volatile business environment.
- ***Regulation*** — The Group and each Life Company will, at all times, operate a strong control environment to ensure compliance with all internal policies and applicable laws and regulations, in a commercially effective manner.

The risk appetite framework supports the Group in operating within the boundaries of these statements by seeking to limit the volatility of key parameters, defined with respect to the above statements, under a range of adverse scenarios agreed with the Board. Risk appetite limits are chosen which specify the maximum acceptable likelihood for breaching the agreed limits and assessment against the appetite targets is undertaken through scenario testing. Breaches of appetite are corrected through management actions where appropriate.

Risk universe

A key element of effective risk management is to ensure that the business has a complete and robust understanding of the risks it faces. Within the Group, these are set out, categorised and defined in the risk universe.

These risks are monitored and reported across the organisation to ensure that they are adequately managed.

External communication and stakeholder management

The Group has a number of internal and external stakeholders, each of whom has an active interest in the Group's performance, including how it is managing its risks. Significant effort is made to ensure that the Group's stakeholders have appropriate, timely and accurate information to support them in forming views of the Group.

Governance

Overall responsibility for approving, establishing and maintaining the RMF rests with the Board. The Board recognises the critical importance of having an efficient and effective RMF and appropriate oversight of its operation. There is a clear organisational structure in place with documented, delegated authorities and responsibilities from the Group board to the board of PLHL and the Executive Committee.

The RMF is underpinned by the operation of a three lines of defence model with clearly defined roles and responsibilities for statutory boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

- ***First line*** — Management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers. A series of business unit management oversight committees operate within the Group. They are responsible for ensuring the risks associated with the business's activities are identified, assessed, controlled, monitored and reported.
- ***Second line*** — Risk oversight is provided by the Group Risk function and business unit risk and compliance functions and the Board Risk Committee, which is responsible for the oversight of risk across the Group. The Board Risk Committee comprises four Non-Executive Directors, all of whom are independent. It is supported by the Chief Risk Officer.
- ***Third line*** — Independent verification of the adequacy and effectiveness of the internal controls and risk management is provided by Group Internal Audit, under the oversight of the Audit Committee.

Risk organisation

The Chief Risk Officer manages the Group Risk function and has responsibility for the implementation and oversight of the Group's RMF. The Group Risk function has responsibility for financial and operational risk, risk governance, FCA and PRA relationship management and regulatory risk. Risk review functions across the Group manage the RMF in line with the Group's established standards. The risk functions ensure that business unit risk committees are provided with meaningful risk reports and that there is appropriate information to assess and aggregate risks.

Risk policies

The Group policy framework comprises a set of policies that support the delivery of the Group's strategy by establishing operating principles and expectations for managing the key risks to the Group's business. The policy set contains the minimum control standards that each business unit must adhere to and report compliance through the operation of local processes/procedures. The policies define:

- the individual risks the policy is intended to manage;
- the degree of risk the Group is willing to accept (which is set out in the policy risk appetite statements);
- the minimum controls required in order to manage the risk to an acceptable level; and
- the frequency of the control's operation.

Each policy is the responsibility of a member of the Executive Committee who is charged with overseeing compliance with the policy throughout the Group.

Business performance and capital management

Business unit plans are assessed to ensure that they do not breach any of the Board's risk appetite statements over the planning horizon. Business performance is routinely monitored at a business unit executive level with consolidated reporting against the annual operating plan approved by the Board and reviewed by the Executive Committee.

The impact of any proposed changes to the Group's operating plan and ongoing compliance with the Group's risk appetite statements are reviewed on a quarterly basis by the Board Risk Committee.

The Group's business units operate capital management processes that meet the Group's capital management policy. Under these processes, capital is allocated across risks where capital is held as a mitigant and, in turn, to individual risk owners who hold risk capital budgets. The amount of risk capital required is reviewed regularly to ensure the risk remains within budget. Any increases in capital allocation required are referred to the relevant business unit for approval to assess whether the increased capital allocation requested is within appetite for that particular risk type or whether further risk mitigation is required.

Risk and capital assessment

The Group operates an assessment framework for the identification and assessment of the different types of risk it may be exposed to and how much capital should be held in relation to those exposures. This framework is applicable across the Group and is the basis, not only for the approach to risk assessment, management and reporting but also for determining and embedding capital management at all levels of the Group. It has been updated to comply with the requirements of Solvency II. As part of that, the Group's Solvency II Internal Model is modified and weighted to address the particular risks that apply to the Group.

Risk assessment activity is a continuous process and is performed on the basis of identifying and managing the significant risks to the achievement of the Group's objectives. Stress and scenario tests are used to support the assessment of risk and analysis of their financial impact.

A Group level risk assessment process determines the most significant risks to the Group and the options available for their management.

Management information

Overall monitoring and reporting against the risk universe is undertaken by business unit management committees through to the relevant business unit executive committee and reported to the Executive Committee, PLHL board and the Board via regular risk reporting.

The Board Risk Committee receives a consolidated risk report on a quarterly basis, detailing the risks facing the Group and the overall position against risk appetite limits. The Board Risk Committee is also provided with regular reports on the activities of the Group Risk function.

People and reward

Effective risk management is central to the Group's culture and its values. Processes are operated that seek to measure both individual and collective performance and discourage incentive mechanisms which could lead to undue risk taking. Training and development programmes are in place to support employees in their understanding of the operation of the RMF.

Technology and infrastructure

The Group employs systems to support the assessment and reporting of the risks it faces as a business and to enable management to document its key risks and controls and evidence the assessment of them at a frequency appropriate to the operation of the control.

FCA thematic reviews

The Group and the thematic review on the fair treatment of long standing customers in the life insurance sector

The Life Companies cooperated with the FCA in respect of its thematic review on the fair treatment of long standing customers in the life insurance sector. A number of firms which were the subject of the review are now the subject of additional investigation, including ALAC.

On 9 December 2016, the FCA published its finalised guidance on the fair treatment of long standing customers in the life insurance sector. The guidance sets out the FCA's expectations on the actions life insurance firms should take to treat their closed-book customers fairly. The guidance covers four high-level customer outcomes:

- The firm's strategy and governance framework results in the fair treatment of closed-book customers.
- The firm's closed-book customers receive clear and timely communications about policy features at regular intervals and at key points in the product of lifecycle to enable them to make informed decisions.
- The firm gives adequate consideration to, and takes proper account of, fund performance and policy values in a way that ensures it treats its closed-book customers fairly and proportionately.
- The firm's closed-book customers are able to move from products that are no longer meeting their needs in a fair reasonable manner.

Given that the Group's operations apply exit charges, this guidance will apply to the Group. In particular, the practices of ALAC may have to change. Whilst the Group has estimated the costs of implementing such changes on ALAC, such costs may be material and may exceed the Group's current estimate of such costs. The Group also continues to make improvements to customer service in line with Group strategy, in particular around transparency of information.

In addition, the FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices.

The Group and the thematic review on annuity sales practices

For information on the thematic review on annuity sales practices please see “*Regulatory Overview – FCA thematic review – The thematic review on annuity sales practices*”.

Pensions

The Group has three main staff pension schemes for its employees, the Pearl Group Staff Pension Scheme (the “**Pearl Scheme**”), the PGL Pension Scheme and the Abbey Life Pension Scheme.

The Pearl Scheme

The Pearl Scheme comprises a final salary section, a money purchase section and a hybrid section (a mix of final salary and money purchase). The final salary and hybrid sections of the Pearl Scheme are closed to new members and since 1 July 2011 have also been closed to future accrual by active members.

A triennial funding valuation of the Pearl Scheme as at 30 June 2012 was completed in May 2013. This showed a deficit as at 30 June 2012 of £480 million on the agreed technical provisions basis. On 27 November 2012, PGH2 as principal employer and the trustee of the Pearl Scheme entered into a revised pensions funding agreement (the “**Pearl Pensions Agreement**”). The principal terms of the Pearl Pensions Agreement are:

- annual cash payments which were paid to the scheme of £70 million in 2013 and 2014, followed by payments of £40 million in September each year from 2015 to 2021. The Pearl Pensions Agreement includes a sharing mechanism, relating to the level of dividends paid out of PGH2, that in certain circumstances allows for an acceleration of the contributions to be paid to the Pearl Scheme;
- additional contributions may become payable if the scheme is not anticipated to meet the two agreed funding targets: (i) to reach full funding on the technical provisions basis by 30 June 2022; and (ii) to reach full funding on a gilts flat basis by 30 June 2031;
- the trustee of the Pearl Scheme continues to benefit from a first charge over shares in PLAL, Pearl Group Services Limited and PGS2 Limited. The value of the security claim granted under the share charges is capped at the lower of £600 million and 100 per cent. of the Pearl Scheme deficit (calculated on a basis linked to UK government securities) revalued every three years; and
- covenant tests relating to the embedded value of certain companies within the Group.

A triennial valuation for the Pearl Group Staff Pension Scheme as at 30 June 2015 was completed in September 2016. This showed a deficit of £300 million as at 30 June 2015 on the agreed technical provisions basis. As part of the 2015 triennial valuation discussions, PGH2 and the trustee of the Pearl Scheme agreed to change the timing of the contributions under the Pearl Pensions Agreement to be payable on a monthly basis.

The Revolving Credit Agreement restricts the Group’s ability, with certain exceptions, to transfer assets into the companies over which the trustee of the Pearl Scheme holds a charge over shares.

The PGL Pension Scheme

The PGL Pension Scheme comprises a final salary section and a defined contribution section.

The defined benefit sections of the PGL Pension Scheme is a final salary arrangement which is closed to new members and since 1 July 2011 has also been closed to future accrual by active members.

The PGL Pension Scheme is administered by a separate trustee company, PGL Pension Trustee Ltd. The trustee company is comprised of two representatives from the Group, three member nominated representatives and one independent trustee in accordance with the trustee company’s articles of association. The trustee is required by

law to act in the interest of all relevant beneficiaries and is responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

A triennial funding valuation of the PGL Pension Scheme as at 30 June 2015 was completed in June 2016. This showed a surplus of £164 million on the agreed technical provisions basis as at 30 June 2015.

Following discussions with the trustee of the PGL Pension Scheme it was agreed that contributions to the PGL Pension Scheme amounting to £17.5 million in aggregate would be paid over the period from July 2016 to August 2017. As at 31 December 2016, £10 million of these contributions are still to be paid.

Benefits for the majority of the scheme's pensioners in payment are provided by PLL under an insurance buy-in contract.

The Abbey Life Pension Scheme

The Abbey Life Pension Scheme is a final salary arrangement containing a small amount of defined contribution benefits, and is closed to new members but remains open to future accrual by active members. As at 31 March 2015, there were 19 active members of the scheme.

On 28 June 2013, ALAC and the Trustees entered into a contractual funding agreement (the "**2013 Funding Agreement**"), which provides for certain payment triggers pursuant to which monies in a charged escrow account are released to the Trustees. The triggers are: (i) the insolvency of Abbey Life; (ii) a deficit in the ALAC Pension Scheme on a specifically defined basis as at 31 March 2021; (iii) failure to calculate that specifically defined deficit by 31 May 2022; and (iv) a debt becoming due from Abbey Life to the Trustees under Section 75 of the Pensions Act 1995 (broadly, on the winding up of the ALAC Pension Scheme). On payment trigger (i), (iii) or (iv) arising, Abbey Life must pay to the Trustees the lower of the Section 75 debt and the value of the assets in the escrow account. On payment trigger (ii), Abbey Life must pay to the Trustees the lowest of the deficit on the specifically defined basis, the Section 75 debt and the value of the assets in the escrow account.

A triennial funding valuation of the Abbey Life Pension Scheme was completed in June 2016. This showed a deficit of £106.9 million as at 31 March 2015 on the scheme funding (technical provisions) basis.

Following discussions with the trustee of the Abbey Life Pension Scheme it was agreed that deficit recovery contributions to the Abbey Life pension scheme should be:

- an initial payment of £15 million in June 2016 with monthly contributions of £246,000 between 1 July 2016 and 30 June 2026; and
- payment of £2.92 million (in cash or by agreed assets) by 31 July each year from 2016 to 2025 into the 2016 Charged Account. The payment triggers for this charged escrow are as in the 2013 Funding Agreement, though referring to a specified deficit as at 31 March 2027, and to determine whether a surplus arises, the assets in the 2013 charged account are also taken into account.

The 2013 Charged Account and the 2016 Charged Account contained a combined £37.4 million as at 31 December 2016.

Litigation and Arbitration Proceedings

The Group

The Life Companies are participating in two of the FCA's thematic reviews relating to the pensions and life insurance sector. The thematic review on the fair treatment of long standing customers in the life insurance sector has been completed and the FCA has published its final guidance. The FCA has not reached final conclusions as to the outcome of the thematic review on annuity sales and any follow-up work. The directors of PGH believe that these thematic reviews may have different impacts on each of the Life Companies.

On 5 June 2015, PA (GI) was subject to a judgment in the Chancery Division of the Companies Court. The judgment directed that PA (GI) is liable to the claimants for complaints and claims relating to a book of creditor insurance business that PA (GI) underwrote until 2006. As a consequence, PA (GI) is liable for complaint handling and redress with regard to the complaints. PGH had paid a total of £6 million in respect of such complaints, claims and associated expenses as at 31 December 2016 and has recognised an accounting provision in this regard of £32.8 million as at 31 December 2016. If the number of complaints increases this accounting provision may need to be increased. Following an FCA consultation which is expected to be completed in the first quarter of 2017, the FCA has introduced a deadline for such claims of August 2019. The deadline will be preceded by a FCA publicity campaign, the purpose of which is to ensure persons with a right of claim are aware of their rights. Until that deadline has passed, PGH is unable to confirm its maximum exposure in respect of this matter. The campaign is likely to increase the number of complaints for which PA (GI) may have to pay redress. Such an increase could result in the total additional liability of the Group in respect of these complaints and claims being in excess of the £32.8 million for which provision has been made in PGH's financial statements as at 31 December 2016.

Properties

In the UK, the Group operates from leased office premises in one site in London and Bristol (Sun Life), and from premises owned by the Group in Wythall, Basingstoke and Bournemouth. Wythall (Phoenix Life), Basingstoke (Axa Wealth) and Bournemouth (ALAC) are primarily used as the core site for the Life Companies. The Bournemouth site also provides accommodation to the outsourced service provider to ALAC (Capita Life and Pensions). In addition, the Group also has another site in Glasgow which it has provided primarily for the benefit of the Life Companies' outsourced service providers in order to enable them to provide services to the Life Companies' customers. In addition, the Group has a licence over a property in Jersey.

Employees

The Group

The Group operates across two primary locations in Wythall, Birmingham and St Paul's, London and had approximately 1301 employees as at 31 December 2016. In addition, as at 31 December 2016, the Group employed approximately 100 contractors or temporary staff to cover flexible resource requirements.

The office in St Paul's, London is home to the Group's corporate functions which includes approximately 100 people across finance, actuarial, legal, tax and treasury, risk and corporate development. The office in Wythall, Birmingham includes approximately 660 people from all of the Life Company functions across finance, actuarial, legal, tax, customer and operations, as well as the risk and compliance and human resource teams. The former AXA Wealth business in Basingstoke operates with approximately 330 employees, whilst Sun Life in Bristol operates with 140 staff. Abbey Life staff in Bournemouth make up the remaining employees with approximately 45 people.

The following table shows the number of employees employed by the Group as at 31 December 2016, 31 December 2015 and 31 December 2014:

	Number of employees
As at 31 December 2016	<hr/> 1301
As at 31 December 2015	742
As at 31 December 2014	752

The Group has collective consultation agreements in place with Unite, the largest UK trade union, covering certain categories of employees across Wythall, Basingstoke and Bristol sites.

Directors

The directors of PGH are listed below.

Name	Age	Position
Henry Staunton	68	Chairman and Nomination Committee Chairman
Clive Bannister	58	Group Chief Executive Officer
James McConville	60	Group Finance Director
Ian Cormack	69	Senior Independent Non-Executive Director and Remuneration Committee Chairman
Alastair Barbour	64	Independent Non-Executive Director and Audit Committee Chairman
Isabel Hudson ⁽¹⁾	57	Independent Non-Executive Director
Wendy Mayall	59	Independent Non-Executive Director
John Pollock	58	Independent Non-Executive Director
Nicholas Shott	65	Independent Non-Executive Director
Kory Sorenson	48	Independent Non-Executive Director
David Woods ⁽¹⁾	69	Independent Non-Executive Director and Risk Committee Chairman

Note:

(1) Isabel Hudson and David Woods will both step down from the Board of Directors of PGH on 11 May 2017.

The business address of each of the directors is 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.

Directors' biographies

Henry Staunton, Chairman

Henry Staunton was appointed Chairman of the Board of Directors of PGH (the “**Board**”) and Chairman of PGH’s Nomination Committee with effect from 1 September 2015. Mr Staunton is Non-Executive Chairman of WH Smith plc, the leading FTSE 250 retail group, and a Non-Executive Director of Capital & Counties Properties plc. He is also Non-Executive Chairman of the privately owned BrightHouse Group, the rent-to-own company. From 2004 until 2013, Mr Staunton was a Non-Executive Director, Chairman of the Audit Committee and latterly Senior Independent Director and Vice Chairman of Legal & General Group plc, where he gained significant insight into the life and pensions industry. From 2008 to 31 December 2014 he was a Non-Executive Director of Merchants Trust plc, where he was the Senior Independent Director. He was also a Non-Executive Director of Ashted Group from 1997 to 2004 including as Chairman from 2001. During his executive career he was Finance Director of ITV plc from 2003 to 2006, and Finance Director of Granada plc from 1993 to 2003. Prior to that he joined Price Waterhouse as a graduate trainee, rising to become a Senior Partner of the audit practice.

Clive Bannister, Group Chief Executive Officer

Clive Bannister joined the Group in February 2011 as Group Chief Executive Officer. Mr Bannister is also an executive director of PLHL. Prior to this, Mr Bannister was Group Managing Director of Insurance and Asset Management at HSBC Holdings plc. He joined HSBC in 1994 and held various leadership roles in planning and strategy in the Investment Bank (USA) and was Group General Manager and CEO of HSBC Group Private Banking. He started his career at First National Bank of Boston and prior to working at HSBC was a partner in Booz Allen Hamilton in the Financial Services Practice providing strategic support to financial institutions including leading insurance companies, banks and investment banks. Mr Bannister is also Chairman of the Museum of London.

James McConville, Group Finance Director

James McConville was appointed to the Board as Group Finance Director on 28 June 2012. Mr McConville is also an executive director of PLHL. Between April 2010 and December 2011, Mr McConville was Chief Financial Officer of Northern Rock plc. Prior to that, between 1988 and 2010, he worked for Lloyds Banking Group plc (formerly Lloyds TSB Group plc) in a number of senior finance and strategy related roles, latterly as Finance Director of Scottish Widows Group and Director of Finance for the Insurance and Investments Division. During 2011 and 2012, Mr McConville was a Non-Executive Director of the life businesses of Aegon UK. In 2014, Mr McConville joined the board of Tesco Personal Finance plc as Non-Executive Director. Mr McConville qualified as a Chartered Accountant whilst at Coopers and Lybrand.

Ian Cormack, Senior Independent Director

Ian Cormack was appointed to the Board on 2 September 2009 and was appointed Senior Independent Director on 1 October 2013. Mr Cormack is also a director of PLHL. Mr Cormack is Non-Executive Chairman of Maven Income & Growth VCT 4 plc and a Non-Executive Director of JRP Group plc and Hastings Group Holdings plc. Mr Cormack was Chief Executive Officer of AIG, Inc. in Europe from 2000 to 2002 and prior to that he spent 32 years at Citibank where he was Chairman of Citibank International plc and Co-Head of the Global Financial Institutions Client Group at Citigroup. Mr Cormack is Chairman of the Remuneration Committee and a member of the Nomination Committee.

Alastair Barbour, Independent Non-Executive Director

Alastair Barbour has over 30 years audit experience with KPMG where he worked across the full spectrum of financial services clients from large general insurers and reinsurers to the life insurance and investment management sector, working on a range of operational and strategic issues. Mr Barbour is the former Head of Financial Services, Scotland for KPMG. He retired from KPMG in 2011 to build a Non-Executive career. He is a Director and Audit Committee Chairman of RSA Insurance Group plc, Standard Life Private Equity Trust plc and Liontrust Asset Management plc (all London Stock Exchange listed companies). He is also a Director and Audit Committee Chairman of CATCo Reinsurance Opportunities Fund Ltd, a Bermuda-based investment company listed on the London Stock Exchange and of The Bank of N. T. Butterfield & Son Limited, a company listed in both Bermuda and New York. Mr Barbour was appointed to the Board on 1 October 2013 and is Chairman of the Board Audit Committee and a member of the Board Nomination Committee and Risk Committee. Mr Barbour is also a director of PLHL and a member of the PLHL Model Governance Committee.

Isabel Hudson, Independent Non-Executive Director

Isabel Hudson is Chairman of the National House Building Council and a Non-Executive Director of BT Group plc and RSA Insurance Group plc. Ms Hudson is a former Non-Executive Director of MGM Advantage, The Pensions Regulator, QBE Insurance and Standard Life PLC. Other roles previously held by Ms Hudson include Chief Financial Officer at Eureko BV and Executive Director of Prudential Assurance Company. Ms Hudson is an ambassador to Scope, a UK charity, and has 35 years of experience in the insurance industry in the UK and mainland Europe. She was appointed to the Board on 18 February 2010. She is a member of the Board Audit Committee and the Board Remuneration Committee of PGH.

Wendy Mayall, Independent Non-Executive Director

Wendy Mayall has over thirty years of asset management experience, including as Group Chief Investment Officer and later consultant at Liverpool Victoria from 2012 to 2015, having previously been Chief Investment Officer for Unilever's UK pension fund from 1996 to 2011 and holding management responsibility for Unilever's pension funds globally. From 2006 to 2009, Mrs Mayall was the Chair of the Investment Committee of the Mineworkers Pension Scheme, a British government appointment to one of the largest government backed pension schemes in the UK. Mrs Mayall is the non-executive Senior Independent Director of the Aberdeen UK Tracker Trust plc. Mrs Mayall was appointed to the Board with effect from 1 September 2016. Mrs Mayall is a member of the Board Risk Committee of PGH.

John Pollock, Independent Non-Executive Director

John Pollock had a career in life assurance at the Legal & General Group from 1980 to 2015, including as an executive director of Legal & General Group plc from 2003 to 2015. Mr Pollock held numerous senior roles, gaining wide strategic and technical experience, finally as Chief Executive Officer of LGAS (L&G Assurance Society), one of Legal and General's three primary business units. Prior to Mr Pollock's retirement from Legal and General in 2015, he held positions as Deputy Chair of the FCA Practitioner Panel, Chairman of investment platform Cofunds, and as a non-executive director of the Cala Homes Group. Mr Pollock was appointed to the Board with effect from 1 September 2016. Mr Pollock is a member of the Board Risk Committee of PGH.

Nicholas Shott, Independent Non-Executive Director

Nicholas Shott is an investment banker, who has been European Vice Chairman of Lazard since 2007 and Head of UK Investment Banking at Lazard since 2009. Mr Shott joined Lazard in 1991 and became a partner in 1997. Mr Shott was appointed to the Board with effect from 1 September 2016. Mr Shott is a member of the Board Remuneration Committee of PGH.

Kory Sorenson, Independent Non-Executive Director

Kory Sorenson is currently a Non-Executive Director of SCOR SE and its US subsidiaries, Pernod Ricard SA, Uniqa Insurance Group AG and Aviva Insurance Limited. Ms Sorenson has over 20 years of experience in the financial services sector, most of which has been focused on insurance and banking. She was Managing Director, Head of Insurance Capital Markets of Barclays Capital from 2005 to 2010, and also held senior positions in the financial institutions divisions of Credit Suisse, Lehman Brothers and Morgan Stanley. Ms Sorenson volunteers as a Director of the Institut Pasteur in Paris. She was appointed to the Board on 1 July 2014 and is a member of PGH's Board Remuneration Committee and Board Audit Committee.

David Woods, Independent Non-Executive Director

David Woods is a Fellow of the Institute of Actuaries, Non-Executive Chairman of Standard Life UK Smaller Companies Trust plc and a Non-Executive Director of Murray Income Trust plc. He is also Chairman of the pension fund trustee companies responsible for the governance of all the UK defined benefits/pension schemes in the Sopra Steria Group. He was appointed to the Board on 18 February 2010 and is Chairman of PGH's Board Risk Committee and a member of PGH's Board Nomination Committee and Board Audit Committee. Mr Woods is also a director of PLHL and a member of the PLHL Model Governance Committee.

Other directorships/partnerships of the Board

In respect of each director, details are set out below of the companies (not including any member of the Group other than PLHL) of which such Directors has been a member of the administrative, management or supervisory bodies or partner at any time in the five years before the date of this Prospectus:

Name	Current	Previous
Henry Staunton	WH Smith plc BrightHouse Group plc Capital & Counties Properties plc Caversham Finance Limited	ICBC Standard Bank PLC Legal & General Group plc The Merchants Trust plc
Clive Bannister	Dreamchasing Doorfield Property Management Limited Punter Southall Group Limited Rougemont Management Limited Unigestion Holding SA Phoenix Life Holdings Limited	Ignis Asset Management Limited ⁽¹⁾ Ignis Investment Management Limited ⁽¹⁾ Ignis Fund Managers Limited ⁽¹⁾ Ignis Investment Services Limited ⁽¹⁾
James McConville	Tesco Personal Finance Group Limited Tesco Personal Finance plc Phoenix Life Holdings Limited	Gosforth Funding plc Gosforth Funding 2011-1 plc Gosforth Holdings Limited Guardian Assurance Limited Guardian Linked Life Assurance Limited Guardian Pensions Management Limited Ignis Asset Management Limited ⁽¹⁾ Ignis Investment Services Limited ⁽¹⁾ Ignis Fund Managers Limited ⁽¹⁾ Northern Rock plc (now called Virgin Money PLC)

Name	Current	Previous
		Scottish Equitable Holdings Limited Scottish Equitable plc
Alastair Barbour	RSA Insurance Group plc Standard Life Private Equity Trust plc Liontrust Asset Management plc Markel CATCo Reinsurance Fund Ltd CATCo Reinsurance Opportunities Fund Ltd Bank of N.T. Butterfield & Son Limited CATCo Reinsurance Fund Limited Scottish Equitable Policyholders Trust Limited Phoenix Life Holdings Limited	None
Ian Cormack	Hastings Group Holdings PLC Maven Income & Growth VCT 4 PLC National Angels Limited Temporis Capital LLP JRP Group plc Just Retirement Solutions Limited Just Retirement Money Limited Just Retirement Limited Partnership Assurance Group PLC Partnership Home Loans Limited Partnership Life Assurance Company Limited	Bloomsbury Publishing Plc Cormack Tansey Partners Entertaining Finance Limited Europe Arab Bank PLC Qatar Financial Centre Authority Qatar Insurance Services LLC Arria NLG Plc Aspen Insurance Holdings Aspen Insurance UK Limited Xchanging plc Phoenix Life Holdings Limited
Isabel Hudson	National House-Building Council BT Group Plc RSA Insurance Group plc	Elders Insurance Limited Marine and General Mutual Life Assurance Society QBE Insurance (Australia) Limited QBE Insurance (International) Limited QBE Insurance Group Limited Standard Life PLC The Pensions Regulator
Wendy Mayall	Aberdeen UK Tracker Trust PLC	Highway Insurance Company Limited Highway Insurance Group Limited Liverpool Victoria General Insurance Group Limited Liverpool Victoria General Insurance Company Limited LV Insurance Management Limited

Name	Current	Previous
John Pollock	Phoenix Life Holdings Limited	Lucida Limited Legal & General Group PLC Legal and General Assurance Society Limited Cala 1 Limited Cala Group (Holdings) Limited Legal and General Partnership Holdings Limited Legal & General International (Holdings) Limited Legal & General International Limited Legal & General Overseas Holdings Limited Legal and General Holdings (No 2) Limited Legal & General Insurance Limited Cofunds Holdings Limited Legal & General Partnership Services Limited Legal & General Pensions Limited Legal & General Resources Limited
Nicholas Shott	Old Bailey 2005 LLP Lazard & Co., Holdings Limited Lazard & Co., Services Limited Lazard & Co., Limited 28 Smith Street Limited	None
Kory Sorenson	Pernod Ricard SA SCOR SE SCOR Reinsurance Company (US) SCOR Global Life Americas Reinsurance Company Uniqa Insurance Group AG Aviva Insurance Limited Chateau Troplong Mondot	Institut Pasteur
David Woods	Standard Life UK Smaller Companies Trust PLC Murray Income Trust plc Steria (Management Plan) Trustees Limited Steria (Pension Plan) Trustees Limited Steria (Pooled Investments) Trustees Limited Steria (Retirement Plan) Trustees Limited Steria Electricity Supply Pension Trustees	Barbon Holdings Limited Barbon Insurance Group Limited Caley Limited Property & Commercial Limited The Moller Centre for Continuing Education Limited Santander (UK) Group Pension Scheme Trustees Ltd

Name	Current	Previous
	Limited Phoenix Life Holdings Limited	

Note:

- (2) The Director ceased to be a director of this company upon the completion of the divestment of Ignis Asset Management.

Conflicts of interest and other matters

PGH is not aware of any conflicts of interest between any duties owed by the Directors to PGH and their private interests or other duties. PGH has procedures in place to identify and manage conflicts that may arise.

Share dealing code

PGH has adopted a Share Dealing Code which is based on the Market Abuse Regulation.

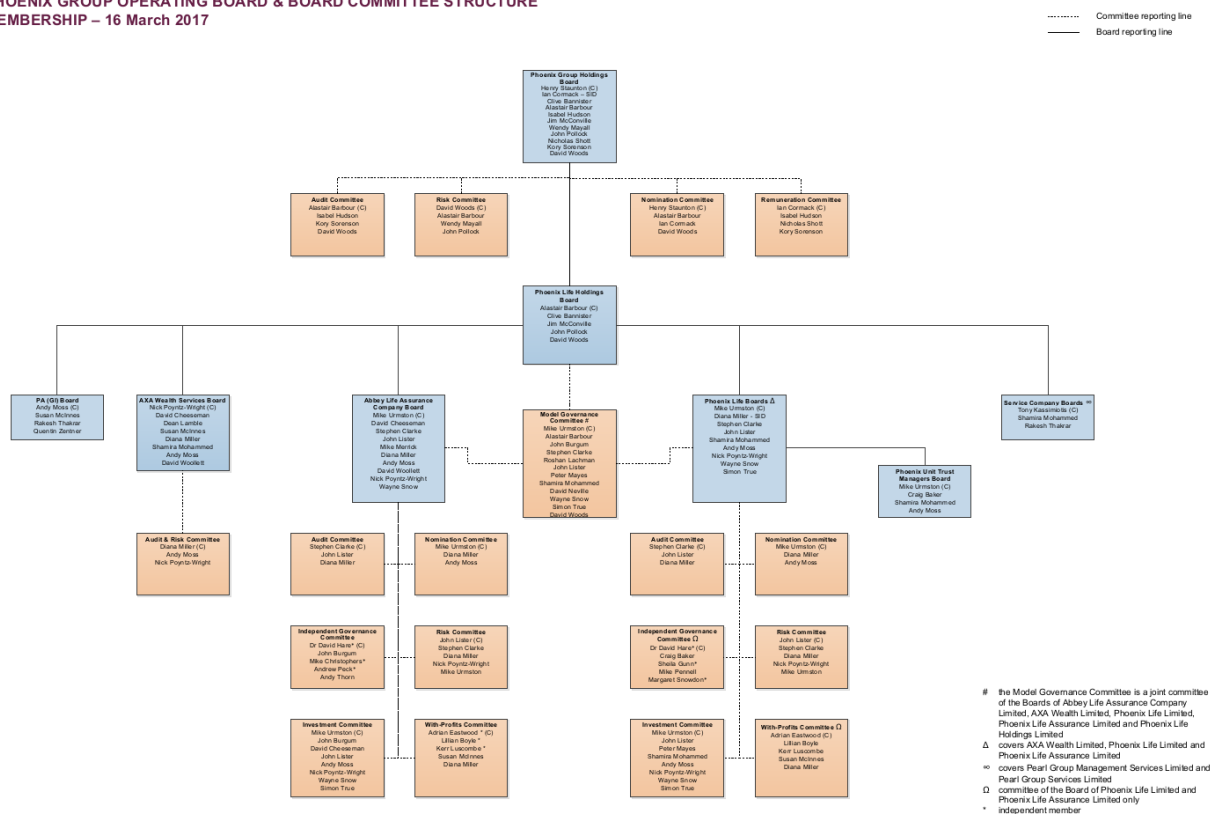
Corporate Governance Code

PGH recognises the importance of, and is committed to, high standards of corporate governance. PGH's compliance with the Corporate Governance Code is described on pages 47 – 57 of PGH's Annual Report and Accounts for the year ended 31 December 2016, incorporated by reference into this Prospectus.

Board and management of the Group

PGH is a member of the FTSE 250 Index, having achieved a Premium Listing on the London Stock Exchange in July 2010. The Board is committed to high standards of corporate governance and supports the Corporate Governance Code which sets standards of good practice for UK listed companies. The following diagram depicts the Group's governance structure as at 31 December 2016:

PHOENIX GROUP OPERATING BOARD & BOARD COMMITTEE STRUCTURE
MEMBERSHIP – 16 March 2017



Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) (i) have been entered into by PGHC, PGH or another member of the Group within the two years immediately preceding the date of this Prospectus and are or may be material or (ii) have been entered into prior to such period and contain provisions under which a member of the Group will have an obligation or entitlement which is material to the Group.

Abbey Life Sale and Purchase Agreement

On 28 September 2016, PLHL and PGH entered into a sale and purchase agreement (the “**Abbey Life SPA**”) with, among others, Deutsche Bank AG (“**Deutsche Bank**”) for the acquisition of Abbey Life.

PLHL has undertaken in the Abbey Life SPA to indemnify Deutsche Holdings No. 4 Ltd (“**Deutsche Holdings**”) and its group against any losses arising after completion of the Acquisition under the defined benefits pension scheme sponsored by ALAC, including losses resulting from the use of the statutory moral hazard powers of the Pensions Regulator against Deutsche Bank’s group to order money to be paid into that scheme. The indemnity is capped at £150m and the potential powers of the Pensions Regulator are time limited by the periods set out in the Pensions Act 2004.

Deutsche Holdings has given an indemnity in favour of PLHL in respect of losses, liabilities or costs that ALAC or other target companies may incur relating to ALAC or another target company being treated as making unauthorised payments to certain members in respect of whom ALAC or another target company has a contractually vested annuity and was unable to trace at the time of the contractual vesting date, subject to the limitations outlined below.

For a description of certain other indemnities given by Deutsche Holdings in favour of PLHL, see “*Abbey Life Deed of Indemnity*” below.

Deutsche Holdings' total liability in respect of all claims relating to the Acquisition by PLHL is not to exceed the net consideration paid to Deutsche Holdings. This includes claims pursuant to the tax covenant, core warranties (e.g., related to Deutsche Holdings No. 4 Ltd.'s title to the shares) and core covenants (e.g., related to transfer of the shares, Deutsche Holdings No. 4 Ltd.'s parental guarantee and pre completion conduct) in the Abbey Life SPA. A sub cap of £320 million applies to other claims in relation to the Acquisition, including pursuant to non-core warranty claims and the Abbey Life Deed of Indemnity described below.

PGH has guaranteed PLHL's obligations under the Abbey Life SPA so that if PLHL does not, or cannot, meet those obligations, then PGH has to meet them. Furthermore, Deutsche Holdings can bring a claim against PGH for failing to comply with its obligations under the guarantee.

Deutsche Bank has guaranteed Deutsche Holdings' obligations under the Abbey Life SPA so that if Deutsche Holdings No. 4 Ltd. does not, or cannot, meet those obligations, then Deutsche Bank has to meet them. Furthermore, PLHL can bring a claim against Deutsche Bank for failing to comply with its obligations under the guarantee.

Abbey Life TSA

Deutsche Bank and ALAC entered into a transitional services agreement on 28 September 2016 (the "**Abbey Life TSA**"). Under the terms of the Abbey Life TSA, Deutsche Bank has agreed to continue to provide certain services or procure that certain services are provided to ALAC, other companies within ALAC's group and relevant third parties.

The services to be provided include arrangements relating to IT infrastructure, critical business applications, facilities management, property management, general ledger applications, archiving and cost accounting processes. Each service will be provided by Deutsche Bank for an agreed term specified in the Abbey Life TSA (each such specified term, a "**Service Term**"). Services will be provided for up to 12 months from 30 December 2016, however ALAC may request a three-month extension prior to the expiry of the initial period upon written notice to Deutsche Bank. Consent to any such extension request is at the discretion of Deutsche Bank, acting reasonably and in good faith. Deutsche Bank's obligation to provide each service under the Abbey Life TSA will cease upon the expiry of the relevant Service Term.

In consideration for the provision of the services by Deutsche Bank, ALAC has agreed to pay a monthly service charge. To the extent that a service is no longer required by ALAC during the service of the relevant service, the monthly service charge will be reduced accordingly.

Abbey Life Deed of Indemnity

On 28 September 2016, Deutsche Holdings, Deutsche Bank, ALAC and PLHL entered into a deed of indemnity (the "**Abbey Life Deed of Indemnity**"). Under the Abbey Life Deed of Indemnity, Deutsche Holdings provided an indemnity to PLHL with respect to (i) the FCA's investigation into ALAC's fair treatment of long standing customers between 1 December 2008 and 31 December 2015 resulting from the FCA's thematic review (TR 16/2); and (ii) the issues arising from the FCA's thematic review into annuity sales practices (TR 14/20).

Deutsche Holdings No. 4 Ltd.'s liability under the Abbey Life Deed of Indemnity is limited to £175 million. Deutsche Bank has guaranteed the due and punctual performance of Deutsche Holdings No. 4 Ltd.'s obligations under the Abbey Life Deed of Indemnity.

The Abbey Life Deed of Indemnity will expire after six years (in respect of the long standing customer investigation) and eight years (in respect of the annuity sales investigation). Deutsche Holdings also has certain other termination rights.

The Abbey Life Deed of Indemnity provides for risk sharing between Deutsche Holdings and PLHL. Subject to the liability limit of £175 million, Deutsche Holdings' share in relation to the FCA's long standing customer investigation is as follows:

- *Fines:* Deutsche Holdings No. 4 Ltd. is liable for 100 per cent. of all fines;
- *Customer redress:* Deutsche Holdings No. 4 Ltd. is liable for 60 per cent. of any amounts up to £10 million; 80 per cent. of any amounts in excess of £10 million and up to £30 million; and 90 per cent. of any amounts in excess of £30 million;
- *Professional fees:* Deutsche Holdings No. 4 Ltd. is liable for 80 per cent. of certain professional fees; and
- *Redress programme costs:* Deutsche Holdings No. 4 Ltd. is liable for 80 per cent. of certain redress programme costs.

The Deutsche Holdings' share in relation to the annuity sales investigation is as follows:

- *Fines:* Deutsche Holdings No. 4 Ltd. is liable for 100 per cent. of all fines;
- *Customer redress:* Deutsche Holdings No. 4 Ltd. is liable for 90 per cent. of all amounts for customer redress;
- *Professional fees:* Deutsche Holdings No. 4 Ltd. is liable for 80 per cent. of certain professional fees; and
- *Redress programme costs:* Deutsche Holdings No. 4 Ltd. is liable for 80 per cent. of certain redress programme costs.

The parties will set up a monitoring committee which will consist of representatives from Deutsche Holdings, Deutsche Bank, PLHL and ALAC. The monitoring committee will oversee the management of costs, assist Deutsche Holdings No. 4 Ltd. in monitoring its liability and assist with setting up any redress programmes. ALAC is obligated to provide periodic updates, correspondence and other materials under the FCA investigations to the monitoring committee.

Revolving Credit Agreement

PGH (as guarantor and, from 28 February 2017, as borrower), PGHC (as borrower) and Commerzbank Finance & Covered Bond S.A. (as agent), among others, are party to the Revolving Credit Agreement dated 23 July 2014, as amended and restated on 21 March 2016 (the "**Revolving Credit Agreement**").

Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate amount equal to £900 million.

The final maturity date of the facility under the Revolving Credit Agreement is 30 June 2021, following the exercise of one of the extension options, effective 30 March 2017. PGH is entitled to request one further one year extension to the term of the facility (which would extend the maturity date to 30 June 2022). Each such one year extension option requires the consent of each extending lender. There are no mandatory or target amortisation payments associated with the facility and it currently accrues interest at LIBOR plus 1.35 per cent., with the margin linked to the credit rating of PGH.

Pearl Group Staff Pension Scheme Agreements

On 27 November 2012, PGH2 entered into an agreement with the trustee of the Pearl Group Staff Pension Scheme which sets out an agreed contractual framework for contributions to the Pearl Group Staff Pension Scheme (the "**2012 Pensions Agreement**"), which replaces a previous funding agreement dated 26 June 2009.

Under the 2012 Pensions Agreement PGH2 will make certain specific payments to the Pearl Group Staff Pension Scheme. The first contribution of £72 million was paid in September 2013, the second contribution of £68 million was paid on 30 September 2014 and two further contributions of £40 million each were paid on 30 September 2015 and 30 September 2016. The remaining payments are £40 million to the scheme on 30 September of each year from 2017 until 2021, although it has been agreed in principle that future contributions will be paid on a monthly basis. These contributions can be increased and further contributions may become payable after 2021 in certain circumstances under the 2012 Pensions Agreement if the scheme is not anticipated to meet two agreed funding targets. The funding targets are to reach full funding on the technical provisions basis by 30 June 2022 and to reach full funding on a gilts flat basis by 30 June 2031.

There is a sharing mechanism that, in certain circumstances, allows for an acceleration of the contributions to be paid to the Pearl Group Staff Pension Scheme. This mechanism shall cease to apply if the trustees cease to follow a new investment strategy, which is a lower risk investment strategy than the previous investment strategy.

For the purposes of the 2012 Pension Agreement, the “**Gilts Base Deficit**” is the scheme deficit calculation on a basis linked to UK government securities.

Charges over the shares of PLAL, PGS and PGS2 Limited that were granted to the trustee of the Pearl Group Staff Pension Scheme under the 2009 Pensions Agreement remain in place. The value of the security claim guaranteed under the share charges is the lower of the £600 million and 100 per cent. of the Gilts Base Deficit revalued every three years. The trustee will be entitled to enforce its security under these share charges if PGH2 fails to comply with certain provisions under the 2012 Pensions Agreement including, without limitation to pay amounts when due, if the ratio of the embedded value of PGH2 to the value of the security claim falls below 1.05:1 for two months and is not cured, and customary events in connection with such security documents. Enforcement action by the trustee of the Pearl Group Staff Pension Scheme would be an event of default under the Revolving Credit Agreement. The security charges also include certain restrictions on transfer, including to other parts of the Group.

PGH2 has agreed to maintain two covenant tests. If these tests are not met, restrictions on dividend payments by PGH2 will apply. These covenant tests require that PGH2’s embedded value will be maintained at the greater of:

- (a) 1.3 times the lower of £600 million and 60 per cent. of the Gilts Based Deficit; and
- (b) the Gilts-Based Deficits less 50 per cent. of the projected investment outperformance over gilts to 2031.

PGH2 is restricted from paying dividends if its embedded value falls below the Gilts Based Deficit.

The agreement reached in the 2012 Pensions Agreement is subject to the statutory funding regime in the Pensions Act 2004.

PGL Pension Scheme Guarantees

Pearl Life Holdings Limited has guaranteed to the trustees of the PGL Pension Scheme the obligations and liabilities of the participating employers to make payments to the PGL Pension Scheme. The principal obligations that are subject to the guarantee are cash contributions of £1.25 million per month until August 2017. The performance of Pearl Life Holdings Limited under the guarantee has been guaranteed by PGH1.

Outstanding Debt

The Group has the following outstanding capital markets debt:

Title	Issuer	Date Issued	Listing
£300,000,000 4.125 per cent. Tier 3 Notes due 2022	PGH	20 January 2017	London Stock Exchange
£428,113,000 6.625 per cent. Subordinated Notes due 2025	PGH	23 January 2015	London Stock Exchange
£300 million senior unsecured 5.75 per cent. Bonds due 2021	PGH	7 July 2014	London Stock Exchange
£200 million 7.25 per cent. undated, unsecured Tier 2 notes (earliest redemption date is 25 March 2021 and each fifth anniversary thereafter)	Phoenix Life Limited	July 2001	Luxembourg Stock Exchange
£120 million 7.5873 per cent. Class A2 limited recourse bonds due 2022	Mutual Securitisation plc*	1998	Irish Stock Exchange London Stock Exchange

Notes:

* The proceeds of the issue of these bonds were lent to National Provident Institution pursuant to a loan agreement between, amongst others, National Provident Institution and Mutual Securitisation plc dated 16 April 1998. Following the demutualisation of National Provident Institution and two subsequent insurance business transfer schemes in 1999 and in 2015, the obligations in relation to the loan agreement have been assumed by PLAL.

Abbey Life Pension Scheme Guarantees

In June 2013, Abbey Life set up the 2013 Charged Account into which payments were made under a funding agreement with the Trustees. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2021, Abbey Life must pay to the scheme the lower of the deficit and the value of the assets in the escrow account.

In June 2016, Abbey Life agreed a new funding agreement with the Trustees under which the following deficit reduction payments will be due:

- an initial payment of £15 million in June 2016 with monthly contributions of £246,000 between 1 July 2016 and 30 June 2026, and
- a payment of £2.92 million by 31 July each year from 2016 to 2025 into the 2016 Charged Account. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2027, Abbey Life must pay to the scheme the lower of the deficit and the value of the assets in this second escrow account.

The 2013 Charged Account and the 2016 Charged Account contained a combined £37.4 million as at 31 December 2016.

Annuity business transfer agreements

PLL, PLAL and National Provident Life Limited (“NPLL”) entered into an annuity business transfer agreement with Guardian Assurance Limited on 26 June 2012 and PLL entered into a further agreement with Guardian on 31 July 2014, which was amended on 23 August 2016. Following on from these agreements, annuities written

within PLL, PLAL and NPLL have been transferred outside the group under two Court sanctioned schemes under Part VII of FSMA.

PLAL and PLL retain responsibility for any mis-selling liability in connection with the original sale of the transferred policies.

Contracts relating to the Divestment of Ignis Asset Management

On 25 March 2014, the Group agreed to dispose of the entire issued share capital of Ignis Asset Management to Standard Life Investments, in return for total consideration of £390 million which was paid in cash on completion of the divestment. Completion of the divestment occurred on 1 July 2014. A payment of £6 million was made to Standard Life on 24 September 2014 in relation to certain contractual balance sheet adjustments which could not be calculated until after closing.

PGH has also guaranteed Impala's obligations in connection with the divestment, including indemnities given by Impala to Standard Life Investments and Impala's obligations in respect of any purchase price adjustment.

The Investment Management Agreements between the Life Companies (and Opal Re) and Ignis Asset Management remain in force following the divestment. This includes the existing fee arrangements remaining broadly the same and the notice periods for withdrawal of assets without cause remaining generally on a three year rolling basis. Under the agreement dated 25 March 2014 between PGH, Impala and Standard Life Investments relating to the divestment of Ignis Asset Management, Impala has agreed to a purchase price adjustment for a period of 10 years if a Life Company withdraws assets from management by Ignis Asset Management or any of its subsidiaries under an Investment Management Agreement, subject to certain exceptions.

This price adjustment mechanism is calculated on the basis of the base management fees that would have been payable under the relevant Investment Management Agreement, assuming the assets had not been withdrawn and taking into account the expected run off profile of the relevant assets. No purchase price adjustment shall be payable in respect of any other fees or costs including performance fees and stock-lending fees. For each of the last five years of the price adjustment period, the purchase price adjustment payable will be discounted at a rate of 50 per cent. The purchase price adjustment is net of a notional corporation tax amount determined in accordance with the terms of the divestment. A purchase price adjustment is not payable in certain circumstances, including if the assets are withdrawn due to investment underperformance or a material breach of the Investment Management Agreement by the relevant asset manager. In addition, if any of the Life Companies terminates an Investment Management Agreement on contractual notice, then no purchase price adjustment is payable in respect of the relevant notice period, but a purchase price adjustment would continue to apply in respect of the period between the end of such notice period and the end of the Price Adjustment Period.

The Group has the potential to generate value from future closed life fund acquisitions through a synergy sharing agreement agreed between the Group, Impala and Standard Life Investments (the "**Synergy Sharing Agreement**"). Subject to the terms and conditions of the Synergy Sharing Agreement, Standard Life Investments will pay to Impala, on an annual basis, an agreed proportion of base management fees related to the future management by Standard Life Investments of certain additional assets of the Group. This revenue sharing arrangement is linked to the quantum of additional assets that are transferred by the Group to the management of Standard Life Investments and which are not already under management of Ignis Asset Management as at the date of the Synergy Sharing Agreement.

AXA Sale and Purchase Agreement

On 27 May 2016, PGH and PLHL entered into a sale and purchase agreement (the “**AXA SPA**”) with AXA UK plc for the acquisition of the SunLife Embassy Business. PGH has guaranteed the obligations of PLHL under the AXA SPA. The acquisition completed on 1 November 2016 for £373 million in cash.

Under the terms of the AXA SPA, AXA UK has given certain warranties and indemnities to PLHL and PLHL has given certain limited warranties to AXA UK, all of which are generally typical for transactions in the pensions and protection business.

AXA transitional service agreement

A tri partite transitional services agreement (the “**AXA TSA**”) was executed between (i) AXA UK; (ii) Winterthur Life UK Holdings Limited and Sun Life (together, the “**SunLife Embassy Companies**”); and (iii) AXA Portfolio Services Limited (“**APS**”). AXA UK is the main service provider under the AXA TSA. However, limited services are provided to the SunLife Embassy Companies from APS and to APS from the SunLife Embassy Companies.

Services will be provided for up to two years, subject to the rights of the parties to terminate early in certain circumstances.

The services to be provided by AXA UK to the SunLife Embassy Companies include provision of various IT and operational services, certain product tools, corporate tax and VAT support, HR services, back office processing, accounting/reporting and facilities management services. The services to be provided by the SunLife Embassy Companies to APS relate to limited IT support services. The services to be provided by APS to the Companies relate to the provision of certain product tools and services.

Santander Reinsurance

In 2012, ALAC reinsured 100 per cent. of a life portfolio written by a Spanish subsidiary and a Portuguese subsidiary of Grupo Santander. This entitles ALAC to be paid the premiums, and to pay claims, under policies which are part of the portfolio.

ALAC paid a single upfront payment as reinsurance commission to the Grupo Santander subsidiaries. The funding for the single upfront payment was provided to ALAC by a reinsurance with Axia. It is anticipated that over time the value of this payment will be paid back by ALAC to Axia out of the surplus arising from the portfolio.

Where the value of the premiums paid to ALAC does not exceed the value of the claims due by more than a certain amount, then a third party reinsurer (the “**retrocessionaire**”) provides an additional contribution so that ALAC can meet its obligations to the Grupo Santander companies and can pay Axia. Where the value of the premiums paid to ALAC exceeds the value of the claims due by more than a certain amount, the retrocessionaire is paid some of that surplus, while the remainder is used to pay Axia. In each case, ALAC will retain a fixed profile of payments and only has to make onward payments when it is provided with matching funds by the relevant counterparty.

Once Axia has been paid back it is expected that at that time the reinsurance with Grupo Santander will be transferred to the retrocessionaire and ALAC’s participation will cease.

Cashflow swap with Deutsche Bank in relation to the de risking transaction with the Rolls Royce and Bentley pensions scheme

On 25 March 2013, ALAC entered into a de risking transaction with the trustee of the Rolls Royce and Bentley pensions scheme, Rolls Royce & Bentley Pensions Fund Trustee Limited. Under the terms of this arrangement the trustee pays ALAC a fixed profile of payments and in return ALAC pays the trustee a series of cashflows

representing the benefits payable by the trustee to certain beneficiaries of the Rolls Royce and Bentley pensions scheme. A proportion of the fixed profile of payments is then passed to certain reinsurers. In return the reinsurers provide ALAC with the funds to meet a proportion of its obligations under ALAC's contract with the trustee. These type of arrangements are of the type carried out by ALAC with other pension scheme trustees. However, the timing of the cashflows into ALAC do not match the timing of the cashflows out of ALAC prescribed under the various agreements. In other words, there is a mismatch between the timing of ALAC's payment obligations under the reinsurance arrangements and the times it is provided with matching funds by the relevant counterparty to meet its obligations under the contract with the trustee. To address the cashflow mismatch, and to prevent ALAC having to hold significant additional liquidity to address the cashflow issue, ALAC entered into a cashflow swap with Deutsche Bank.

The key terms of the cashflow swap are as follows:

- Deutsche Bank will provide payments so that ALAC can meet its obligations under the combined de-risking transaction and related reinsurance arrangements; and
- ALAC has to provide collateral to Deutsche Bank in respect of certain risks.

It is intended that the cashflow swap will remain in place for the length of the Rolls Royce and Bentley pensions scheme de-risking transaction.

DESCRIPTION OF PGH CAPITAL PUBLIC LIMITED COMPANY

PGHC (formerly PGH Capital Limited) was incorporated in Ireland on 14 January 2014, with registered number 537912 as a private company with limited liability under the Companies Acts 1963 – 2013 of Ireland. The registered office of PGHC is Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland and its telephone number is +353 1402 9400.

On 22 July 2016, PGHC was re-registered as a public limited company and renamed “PGH Capital Public Limited Company”. Pursuant to the Irish Companies Act, 2014, which came into effect on 1 June 2015, as an existing private company limited by shares which had obtained an admission to trading on a regulated market for its debt securities, PGHC was required to be converted into a different type of company permitted under that Act. The directors of PGHC and PGH (as sole shareholder of PGHC) accordingly decided that it was in the best interests of PGHC for it to be converted to a public limited company.

Share Capital and Ownership

The authorised share capital of PGHC is £1,000,000 divided into 1,000,000 ordinary shares (“**PGHC Shares**”) of par value £1.00 each. PGHC has issued 25,000 PGHC Shares, which are fully paid and are held by PGH.

PGHC is a wholly-owned subsidiary of PGH.

Pursuant to the Constitution of PGHC, the board is responsible for the management of PGHC. Under Irish law, for as long as PGHC is solvent the board is required to act in the best interests of PGHC.

The relationship between PGHC and PGH, the sole shareholder of PGHC, is governed by the Constitution of PGHC and Irish law, including the Companies Act 2014 of Ireland and regulations made thereunder.

Principal Activities

The principal objects of PGHC are set forth in clause 3 of its Constitution (as currently in effect) and permit PGHC, *inter alia*, to lend money and give credit, secured or unsecured, to issue debentures and otherwise to borrow or raise money (including the issuance of the Senior Notes) and to grant security over its property for the performance of its obligations or the payment of money.

PGHC was established to raise capital by the issue of debt securities and enter into bank financing arrangements and to use amounts equal to the proceeds of each such issuance or drawdown to advance loans to Group Companies.

Since its incorporation, PGHC has issued (i) on 7 July 2014, £300 million senior unsecured 5.75 per cent. Bonds due 2021 (the “**2021 Bonds**”), (ii) on 23 January 2015, £428,113,000 6.625 per cent. Subordinated Notes due 2025 (the “**2025 Notes**”) and, (iii) on 20 January 2017, £300,000,000 4.125 per cent. Tier 3 Notes due 2022 (the “**2022 Notes**” and together with the 2021 Bonds and the 2025 Notes, the “**Existing Bonds**”). At the time of issue, the Existing Bonds were guaranteed by PGH. On 20 March 2017, PGH was substituted in place of PGHC as issuer of the Existing Bonds. PGH is the borrower of amounts outstanding under the Revolving Credit Agreement. PGHC repaid its borrowings under the Revolving Credit Agreement on 20 March 2017.

PGHC has no employees and has not carried out any business operations other than the financing activities referred to herein.

Directors and Company Secretary

PGHC’s Articles of Association provide that the board of directors of PGHC will consist of at least two Directors.

The directors of PGHC and their business addresses are as follows:

Malachy Smith
Regus House
Harcourt Road
Dublin 2
Ireland

Ciaran McGettrick
Regus House
Harcourt Road
Dublin 2
Ireland

Rashmin Shah
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU
United Kingdom

The Company Secretary is Bradwell Limited.

PGHC is not aware of any conflicts of interest between any duties owed by the directors to PGHC and their private interests or other duties. PGHC has procedures in place to identify and manage conflicts that may arise. The directors do not hold any direct, indirect, beneficial or economic interest in any of the PGHC Shares.

Financial Statements

PGHC published its most recent financial statements in respect of the financial year ending on 31 December 2015. The financial year of PGHC ends on 31 December in each year. PGHC does not prepare interim financial statements.

Each year, a copy of the audited profit and loss account and balance sheet of PGHC together with a report of the directors and the auditors thereon is required to be filed in the Irish Companies Registration Office within 28 days of the annual return date of PGHC and, once filed, will be available for inspection. The profit and loss account and balance sheet can be obtained free of charge from the registered office of PGHC.

REGULATORY OVERVIEW

Overview

The Group's operations are subject to extensive government regulation, including FSMA and other UK laws, including, for example, the Data Protection Act 1998 in relation to the processing of customer data. Some of these laws require the relevant Group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the UK.

UK Financial Services and Markets Act 2000, as amended ("FSMA")

All of the Life Companies in the UK are currently dual regulated by the FCA (for conduct matters) and the PRA (for prudential matters), whilst other companies in the group are solely regulated by the FCA (for both conduct and prudential matters).

Approach to regulation

The FCA employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of risk.

The PRA employs a judgement-based, forward-looking and focused approach to regulation using a proactive intervention framework to identify and respond to risks at an early stage. The position of each insurer is reviewed regularly to ensure that the PRA's level of supervision is appropriate.

The FCA and PRA expect firms to avoid actions that jeopardise compliance with their statutory objectives. When the FCA and PRA are concerned that a firm may present a risk this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital "add-ons" under Solvency II) to match the higher perceived risks, and enforcement action where the risks identified breach the FCA and PRA's high-level or more prescriptive rules.

Overview of FSMA regulatory regime: dual regulators

The FCA and PRA regulate persons carrying out regulated activities in the financial services sector. In this regard, the FCA and PRA are authorised to make rules and issue guidance in relation to a wide sphere of activities encompassing the governance of a firm, the way it conducts its business and the prudential supervision of firms. The FCA regulates the conduct of every authorised firm (including firms who are regulated by the PRA). The PRA have responsibilities for carrying out the prudential regulation of banks, insurance companies and designated investment firms. These firms are referred to as "dual regulated" because they are authorised and regulated by the PRA (for prudential matters) and also regulated by the FCA (for conduct matters).

Permission to carry on "Regulated Activities"

Under FSMA, no person may carry on or purport to carry on a regulated activity by way of business in the UK unless he is an authorised or exempt person. A firm that is authorised by the FCA (and PRA, if relevant) to carry on regulated activities becomes an authorised person for the purposes of FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include insurance and investment business (which includes managing investments), as well as certain other activities such as establishing, operating and winding-up stakeholder pension schemes, the mediation of general insurance and certain mortgage mediation and lending activities.

Authorisation procedure

In granting a firm's application for authorisation, the FCA and PRA (if applicable) may delineate the scope of, and include such restrictions on, the grant of permission as the relevant regulator deems appropriate.

Dual-regulated firms must apply to the PRA for authorisation, whilst solo-regulated firms (i.e. firms regulated solely by the FCA), must apply to the FCA. In granting or varying the terms of a firm's permissions, the FCA and PRA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances.

Once authorised, and in addition to continuing to meet the threshold conditions for authorisation, firms are obliged to comply with the FCA Handbook and the PRA Rulebook which contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e. capital) requirements.

Principles for Businesses

The FCA Handbook and the PRA Rulebook contain high-level standards for conducting financial services business in the UK, known as the Principles for Business (in the case of the FCA Handbook) and the Fundamental Rules (in the case of the PRA Rulebook). All firms are expected to comply with these standards, which cover the maintenance of adequate systems and controls, treating customers fairly, communicating with customers in a manner that is clear, fair and not misleading and being open and co-operative with the FCA and PRA.

Application of FSMA regulatory regime to the Group

Each of the Group's principal UK insurance and investment businesses is subject to regulation and supervision by the FCA (and additionally, for dual-regulated firms, the PRA) in the carrying on of the Group's regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Group's insurance and pensions business in the UK.

Regulation applicable to the Group's insurance business

Supervision of management ("Management") and change of control of authorised firms

One of the methods by which the FCA and PRA supervise the management of authorised firms is through the Approved Persons and Senior Manager regimes.

The Senior Manager regime became fully effective in April 2016. The Senior Manager regime is a new regulatory framework introduced by the FCA and PRA that aims to (i) make sure that insurance firms and groups have a clear and effective governance structure; and (ii) to enhance the accountability and responsibility of individual senior managers.

To some extent, the Senior Manager regime incorporates the existing Approved Persons regime, which provides that persons who hold positions of significant influence within an authorised firm must be pre-approved by the FCA and, if relevant, the PRA. For dual-regulated firms, certain Approved Persons, such as directors, are approved by the PRA who will consult with the FCA in relation to such approval. This was further enhanced following the implementation of Solvency II in early 2016.

Change of control of authorised firms

The FCA and PRA also regulate the acquisition and increase of control over authorised firms. Under FSMA, any person proposing to acquire control of, or increase (or decrease) control over, an authorised firm must first obtain the consent of the FCA and, if necessary, the PRA. In relation to dual-regulated firms, such as the Life Companies, approval to the change of control is sought from the PRA who will consult with the FCA. In considering whether to grant or withhold its approval to the change of control, the FCA and PRA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by his acquisition of, or increase in, control.

A person (“A”), will acquire control (in accordance with Section 181 FSMA, and be a “controller”) of an authorised person (“B”) if they hold:

- (a) 10 per cent. or more of the shares in B or a parent undertaking of B (“P”);
- (b) 10 per cent. or more of the voting power in B or P; or
- (c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether person A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A, if any, are aggregated.

A person (“A”) will be treated as increasing (or decreasing) his control over an authorised firm (“B”), requiring prior approval from the FCA (and PRA, if appropriate) if:

- (a) the level of his percentage shareholding or voting power in B or P crosses the 10 per cent., 20 per cent., 30 per cent. or 50 per cent. threshold; or
- (b) if A becomes a parent undertaking of B.

Intervention and enforcement

The FCA and PRA have extensive powers to intervene in the affairs of an authorised firm and monitor compliance with their objectives, including withdrawing a firm’s authorisation, prohibiting individuals from carrying on regulated activities, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules.

The FCA can also sanction persons who commit market abuse and can apply to the Court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the FCA has the power to prosecute criminal offences arising under FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of money laundering regulations. The FCA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FCA and PRA may also vary or revoke a firm’s permission to carry on regulated activities or of a Senior Manager’s approved status for reasons including (i) if it is desirable to protect the interests of consumers or potential consumers, (ii) if the firm has not engaged in regulated activity for 12 months, or (iii) if it is failing to meet the threshold conditions for authorisation. The FCA and PRA have further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FCA and PRA have made a decision to take enforcement action against an authorised firm or Approved Person (other than in the case of an application to the court for an injunction or restitution order), the person affected may refer the matter to the Upper Tribunal (Tax and Chancery Chamber). Breaches of certain FCA and PRA rules by an authorised firm may also give a private person, who suffers loss as a result of the breach, a right of action against the authorised firm for damages.

The FCA and PRA, although not creditors, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorised firm or have standing to be heard in the voluntary winding-up of an authorised firm. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the PRA.

FCA Conduct of Business Rules

The FCA’s Conduct of Business Rules apply to every authorised firm carrying on regulated activities in the UK and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on

regulated activities. Whilst the FCA is primarily responsible for conduct regulation, the PRA will also seek to ensure that firms that it regulates conduct their business in a safe and sound manner.

The scope and range of obligations imposed on an authorised firm under the Conduct of Business Rules vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest, report appropriately to its clients and provide certain protections in relation to client assets.

The FCA's Supervision Manual contains specific requirements at Appendix 2.15 for insurers that have ceased to take on new business and are in run-off. Equally some of the FCA Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

FCA “Outcomes”

The FCA has three operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the UK financial system; and (iii) to promote effective competition in the interests of consumers.

The first objective is central to the FCA's expectation of a firm's conduct and is underpinned by six Treating Customers Fairly outcomes: (i) consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture; (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly; (iii) consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale; (iv) where consumers receive advice, the advice is suitable and takes account of their circumstances; (v) consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect; and (vi) consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Prudential supervision

As set out above, in order to maintain authorised status under FSMA, a firm must continue to satisfy the threshold conditions for authorisation, which, among other things, require the firm to have adequate resources for the carrying on of its business. The FCA and PRA have published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in the Prudential Standards section of their Handbook and Rulebook, respectively. See “*Solvency II*” below.

The FCA's and PRA's regulatory capital rules for insurers and investment firms are primarily contained in the Solvency II prudential framework.

The Financial Ombudsman Service (“FOS”)

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the FOS which is intended to provide speedy, informal and cost effective dispute resolution of complaints made against authorised firms by individuals and small-business customers. The FOS is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint.

The Financial Services Compensation Scheme (“FSCS”)

The FSCS is intended to compensate individuals and small businesses for claims against an authorised firm where the authorised firm is unable or unlikely to be able to meet those claims (generally, when it is insolvent

or has gone out of business). The scheme is also intended to promote confidence in the financial system by limiting the systemic risk that the failure of a single firm might trigger a wider loss of confidence in the relevant financial sector. The scheme covers banking, insurance, investment business and mortgage advice, reflecting the different kinds of business undertaken by authorised firms. It is funded primarily by levies on participating firms that consist of (i) a management expenses levy comprising a base costs levy that relates to the cost of running the FSCS each year and a specific cost for the running costs attributable to a specific funding class and (ii) a compensation costs levy which relates primarily to the costs incurred by the FSCS in paying compensation.

Insurance Guarantee Schemes

Currently there are no rules at the EEA level requiring EU Member States to adopt insurance guarantee schemes such as that established by the FSCS. The European Commission has published a white paper in 2010 discussing the necessity of insurance guarantee schemes and indicated that it is considering proposing a directive with regard to such schemes. As at the date of this document, no proposals for this directive has been published. It is possible that if such a directive were introduced, it may affect the operation of the FSCS.

Conduct of Business requirements for insurance business

The Conduct of Business Rules issued by the FCA apply differing requirements to the sale of (i) general insurance contracts and (ii) long-term insurance contracts. Within (ii), more stringent requirements apply where the contract has an investment value or otherwise is a product which historically gave rise to mis-selling problems. Authorised firms which advise and sell packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the firm provides, and fee and remuneration arrangements.

As an insurer in run-off a number of the Conduct of Business Rules relating to the sale of new policies do not concern the Life Companies. However, there are certain rules relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- treating with-profit policyholders fairly; and
- pensions transfers and the open market option,

which apply regardless of whether or not the insurer is actively selling its products.

Gender discrimination issues

In 2011, the Court of Justice of the European Communities ruled against the use of gender in setting premiums or benefits under insurance contracts. The effect of this ruling was postponed to 21 December 2012. The decision of the Court of Justice was implemented into UK law by the Equality Act 2010 (Amendment) Regulations 2012, which amends the Equality Act 2010. The amendments to the Equality Act 2010, which took effect on 21 December 2012, remove a provision in the Equality Act 2010 which had previously allowed gender-sensitive pricing of insurance premiums and benefits. It affects, among other things, the pricing of annuities, life insurance policies and the annuity rates which may be offered when pension policies mature.

With-profit business

The FCA and PRA co-ordinate their supervision of insurers. The FCA has responsibility for monitoring whether any changes to benefits or payments are consistent with the insurer's previous communications to policyholders, and the insurer's overriding obligation to treat customers fairly. The FCA and PRA have published a Memorandum of Understanding which sets out how the two regulators will co-operate in their supervision of

insurers with policyholders who hold with-profits insurance policies. The FCA is responsible for satisfying itself that firms are behaving fairly in relation to the exercise of discretion whilst the PRA's focus is on ensuring that discretionary increases in liabilities do not adversely affect the insurer's ability to meet, and continue to meet, the PRA's standards for safety and soundness. Given the respective focuses of the PRA and FCA, as of 1 January 2016, the PRA deleted certain of its conduct-related rules relating to with-profits policyholders from its Rulebook and those rules now remain only in the FCA Handbook.

Changes were also made to the corresponding FCA rules on 1 January 2016 in order to implement Solvency II, including in relation to conduct issues and to make changes to certain definitions.

See also "*Solvency II*" below.

Actuarial functions

Every insurance company that carries on long-term business must appoint one or more actuaries to perform the "actuarial function" in respect of all classes of its long-term insurance business and, if it has any with-profit business, the "with-profits actuary function" in respect of all classes of that with-profit business.

The PRA Rulebook requires that an actuary appointed to perform the with-profits actuary function must, among other things, (i) advise the firm's management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the with-profits insurance business of the firm in respect of which he has been appointed, (ii) advise the firm's governing body as to whether the assumptions used to calculate the future discretionary benefits within the firm's relevant technical provisions are consistent with the firm's Principles and Practices of Financial Management ("**PPFM**") in respect of those classes of the firm's with-profits insurance business and (iii) at least once a year, report to the firm's governing body on key aspects (including those aspects of the firm's application of its PPFM on which the advice described has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of with-profits insurance business of the firm.

Distribution of profits and with-profit business

The PRA Rulebook requires firms carrying on with-profits business to ensure that their distribution strategies are affordable and sustainable. See "*Solvency II*" below.

The PRA Rulebook also mandates that firms carrying on with-profit business must:

- define and make publicly available the PPFM applied in their management of with-profit funds;
- ensure their governance arrangements offer assurance that they have managed their funds in line with the PPFM they have established and published;
- produce annual reports for with-profit policyholders on how they have complied with this obligation, including how they have addressed any competing or conflicting rights, interests or expectations of policyholders and, if applicable, shareholders;
- comply with (i) modified regulatory reporting requirements designed to achieve the PRA's objective of making directors and senior management more explicitly responsible for setting up technical provisions and other decisions taken on actuarial advice and (ii) new audit requirements for liabilities; and
- comply with consequential changes to certification in the insurance returns.

Transfers of insurance business

Any transfer of UK insurance business must be effected in accordance with Part VII of FSMA, which requires a scheme of transfer to be prepared and approved by the High Court of England and Wales. Amongst other things, a report of an independent expert is required on the terms of the scheme, which would consider whether

the proposed transfer would be prejudicial to policyholders. The regulators also have an important role in a transfer under Part VII of FSMA, including in relation to certain approvals for specific steps in the transfer process (such as the approval by the PRA (in consultation with the FCA) of the appointment of the independent expert and the form of the independent expert's report) and in advising the Court whether a transfer should be approved. A Part VII scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of business to another approved insurer by operation of law without the need for individual policyholder consents, although policyholders have the right to object to the proposed scheme at the Court hearing. A scheme of transfer may also allow for the transfer of assets and other contracts related to the business so as to give proper effect to the transfer. A transfer of insurance business means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company.

Solvency II

Solvency II has applied since 1 January 2016.

The Solvency II prudential framework has updated, among other things, the existing EU life, non-life, reinsurance and insurance groups directives. The main aim of the framework is to protect policyholders through establishing prudential requirements better matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. Like the Basel 3 reforms introduced in relation to banks in 2014, the new approach is based on the concept of three pillars: quantitative requirements (the amount of regulatory capital an insurer should hold), qualitative requirements on undertakings such as risk management as well as supervisory activities; and enhanced disclosure and transparency requirements. It is also directionally consistent with Pillar 2, being on an economic capital basis.

Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of a minimum regulatory capital requirement (“**MCR**”) and a higher and more risk sensitive SCR;
- what regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;
- what regulatory capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm's entire operations;
- to what extent a firm's regulatory capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- considerably expanded reporting requirements covering (i) matters to be reported privately to the firm's supervisor leading to a full supervisory review process and (ii) matters to be published in a “Solvency and Financial Condition Report”;
- rules providing for the SCR to be supplemented by a “regulatory capital add-on” in appropriate cases, the add-on to be imposed by the relevant supervisor (the PRA in the case of UK firms);
- rules on insurance products which are linked to the value of specific property or indices (“**unit linked products**”);

- the application of the above requirements across insurance groups, including a specific regime for insurance groups with centralised risk management and an enhanced role for the “group supervisor” of international groups, who will be required to work in conjunction with a “college of supervisors” responsible for specific solo members of the group; and
- provision for the supervision of insurance groups headed by an insurance company or insurance holding company with a head office outside the EEA.

Level 2 rules, which supplement the Solvency II Directive with more detail, were adopted by the European Commission on 10 October 2014 and entered into force on 18 January 2015. On 30 September 2015, the European Commission proposed amendments to these rules as part its initiative to build a Capital Markets Union. These amendments included, amongst other things, proposals to alter certain regulatory capital requirements of Solvency II with the intention of providing insurance companies with incentives to invest for the long-term in infrastructure and European Long-Term Investment Funds. The European Commission’s Delegated Regulation making the relevant amendments was subsequently published on 1 April 2016 in the Official Journal of the EU and entered into force on 2 April 2016. The UK House of Commons Treasury Select Committee has launched an inquiry into Solvency II which will explore the impact of the new regime and the options now available to the UK in the light of its vote at June’s national referendum to withdraw from the European Union. The outcome of such inquiry is uncertain.

The UK rules generally replicate the Level 2 implementing rules other than in certain instances, such as the need to provide for with-profit funds in the context of long-term insurance funds no longer being recognised under Solvency II. Under Solvency II, “ring-fenced funds” are funds the assets of which may have a reduced capacity to fully absorb losses in other parts of the insurer on a going concern basis. The PRA rules contain a requirement (which came into effect on 1 January 2016) that firms hold, within each of their with-profits funds, assets that are sufficient to meet the with-profits liabilities of such funds. In March 2015, the FCA published a policy statement containing its own final rules to implement Solvency II. The final rules use a new definition of “with-profits fund surplus” in relation to Solvency II firms’ with-profits business, being, in summary, the difference between the assets in the fund and the liabilities in the fund. Only the with-profits fund surplus may be distributed to policyholders and shareholders. The PRA has also stated in a supervisory statement that restrictions on assets and Own Funds resulting from the nature of, and regulatory regime for, with-profits insurance business in the UK will generally mean that each with-profits fund displays the characteristics of a ring-fenced fund for the purposes of Solvency II. In the same supervisory statement, the PRA also notes that firms sometimes have support arrangements in place which seek to provide support to a with-profits fund from financial resources outside that fund; the final rules require that the terms of any such support arrangement be clarified and codified. In addition, depending on the facts or circumstances, the Board may apply capital management policies to control the distribution of capital.

The Solvency II framework includes a new regime for insurance groups and specific provision for groups the parent undertakings of which have their head offices outside the EEA. This applies to PGH, as its head office is in Jersey, which is outside the EEA.

The treatment of such groups depends, among other things, on whether the jurisdiction in which the parent has its head office is determined to have an equivalent group regime. The equivalence of non-EEA countries is relevant to three distinct provisions of the Solvency II Directive:

- for the purpose of determining whether reinsurance ceded to a solo insurer or reinsurer authorised in that jurisdiction should be treated in the same way as reinsurance ceded to an EEA firm;
- for the purpose of determining whether in applying the deduction/aggregation method of determining group regulatory capital adequacy a non-EEA firm should (i) be treated as if it were an EEA firm or

whether (ii) its contribution to group regulatory capital adequacy may be determined by reference to local rules; and

- for the purpose of determining whether the standard of group supervision in the jurisdiction concerned is equivalent to EEA standards.

A determination of ‘equivalence’ either by the European Commission generally, or by the group supervisor in relation to a specific group, confirms that a third country’s insurance regime is deemed to have an equivalent level of protection to that provided by Solvency II. However, the Commission may also recognise equivalence on a transitional basis.

Such equivalence may be recognised for the following purposes:

- for group solvency calculations: affecting the calculation of the group solvency of a participating undertaking in a third country (re)insurance firm. In that case a determination of equivalence allows the group solvency of the participating undertaking to be calculated taking into account, as regards the firm, its SCR and Own Funds eligible to satisfy that requirement as laid down by the third country concerned. This only applies where the deduction and aggregation method of calculating group solvency is used, rather than the default accounting consolidation-based method; and
- for group supervision purposes: in relation to group supervision in the third country where the parent undertaking of the group has its head office. If that group supervision is deemed to be equivalent it shall be relied upon by EU Member States. However, in the absence of an equivalence determination (or in a temporarily equivalent third country where the “balance sheet total” of the EEA firm is greater than that of the third country parent undertaking), such groups will be supervised within the EEA either by applying Solvency II rules at the worldwide group level or by applying ‘other methods’ which ensure appropriate group supervision. Such methods may include a requirement for the establishment of an insurance holding company or mixed financial holding company within the EEA and the application of Solvency II rules to the group headed by that holding company.

An election for “other methods” might mean (on the assumption that Jersey remains non-equivalent for the purposes of Solvency II) that the regulatory capital regulation of the Group was unaffected by the changes to the group regime. From 1 July 2017 and pending the completion of the simplification of the Group structure (being the intention to put in place a new UK-registered holding company for the Group in 2018), regulatory supervision and the Solvency II capital adequacy assessment is expected to be performed at the PLHL and PGH level. The assessment at PGH level would bring the Group’s external bank debt and the 2021 Bonds into the calculation at PGH level.

Certain of the Group’s subsidiaries are authorised by the FCA to carry on investment business. These entities are subject to regulation and supervision by the FCA and must comply with the FCA’s conduct of business and prudential rules made under FSMA.

Many insurance companies and insurance groups expect to benefit from using internal models to calculate their SCR (or specific risks or major business units within the SCR). However, they require supervisory approval to do this. The process of obtaining that approval is a rigorous one involving a full review of the firm’s governance arrangements and proof that the internal modelling is fully used within the firm’s business. The PRA may also impose regulatory capital add-ons if it considers that the resultant regulatory capital requirement does not reflect the risk exposures of the relevant firm or insurance group. On 7 December 2015, PGH announced that the PRA had approved the Group’s Solvency II Internal Model application and the Group has received subsequent approval to extend its internal model to include the SunLife Embassy Business. The Group intends to extend its internal model further to include the acquired business of Abbey Life, subject to regulatory approval.

The Group notes that the technical specifications resulted in a significant increase in the technical provisions and regulatory capital requirements of the Life Companies. However, these increases were mitigated to an extent by the introduction of transitional provisions, included in the Omnibus II Directive, which are designed to ensure a smooth transition to the new regime. On 17 December 2015 the PRA confirmed that it had approved an application by the Life Companies to apply certain transitional measures. The benefit of the transitional provisions will be phased out over a 16 year period. There remains some uncertainty over the pace of run-off within that period. If the pace of run-off is faster than expected then this may defer the amount or timing of future cash releases from the Life Companies.

For further information, see also the risk factor entitled “*Regulatory capital and other requirements may change*” in the section of this Prospectus headed “*Risk Factors*”.

Conduct of Business requirements for investment businesses and the Markets in Financial Instruments Directive (“MiFID”)

MiFID, sets out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and regulated markets. In particular, MiFID and its implementing measures make specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling and suitability and appropriateness, and investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting and substantial changes to the responsibility for the supervision of cross border investment services.

This regime will be changed by the proposed amendments to MiFID. The amended Directive on Markets in Financial Instruments will be applicable from January 2018.

Data protection

The data protection law currently in effect in the UK is derived from the first data Protection Directive (Directive 95/46/EC). On 25 May 2018, the General Data Protection Regulation (EU) 2016/679 will replace the existing regime set out in Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The regulation contains measures that seek to harmonise data protection procedures and enforcement across the EU, and achieve consistency with the existing system for ensuring privacy online. It will be directly binding on data controllers in all member states immediately upon coming into effect without the need for implementation by the member states. Many of the new provisions contained in the regulation are expected to have a significant impact on data controllers and processors who are active within the EU, including many who are located outside it but who monitor the behaviour of EU consumers, or offer them goods or services. Importantly, the penalties for breach of the new regime will be much more substantial.

FCA thematic review

The thematic review on the fair treatment of long standing customers in the life insurance sector

The Life Companies charge customers “exit charges”, when switching their pension policies to another provider or realising their pension benefits prior to their specified retirement date and “paid up charges”. On 3 March 2016, the FCA published a thematic review report on the fair treatment of long standing customers in the life insurance sector. The FCA found a “mixed picture” where most firms reviewed demonstrated good practice in some areas but poor practice in others. A small number of firms were found to be delivering poor customer outcomes across a majority of the areas assessed. In particular, the FCA had concerns about:

- lack of board and senior management oversight of closed book customers and outcomes;
- whether customers were aware of the effect of exit and paid-up charges on their policies and the quality of information provision on the economic effect of exit and paid-up charges;

- firms' behaviour, policies and attitude towards applying exit charges;
- the impact of exit and paid-up charges on customers shopping around and customer choice;
- the absence, within most firms, of a review of products (and related charges) to assess whether customers were getting fair outcomes; and
- where there are product reviews, over-reliance or overemphasis on compliance with contractual terms and conditions even where actual customer detriment is identified.

On 9 December 2016, the FCA published its finalised guidance on the fair treatment of long standing customers in the life insurance sector. The guidance sets out the FCA's expectations on the actions life insurance firms should take to treat their closed-book customers fairly. The guidance covers four high-level customer outcomes:

- The firm's strategy and governance framework results in the fair treatment of closed-book customers.
- The firm's closed-book customers receive clear and timely communications about policy features at regular intervals and at key points in the product lifecycle to enable them to make informed decisions.
- The firm gives adequate consideration to, and takes proper account of, fund performance and policy values in a way that ensures it treats its closed-book customers fairly and proportionately.
- The firm's closed-book customers are able to move from products that are no longer meeting their needs in a fair and reasonable manner.

The FCA expects firms to review their business practices within three months of publication of the finalised guidance and, if necessary, to change them in the light of the guidance. In May 2016, the FCA launched a consultation on proposals to cap early exit pension charges, both for existing contracts that contain an early exit charge (where it is proposed the cap would be 1 per cent. of policy value) and also new contracts (where no exit charge would be permitted). On 15 November 2016, the FCA announced that, from 31 March 2017, early exit charges will be capped at 1 per cent. of the value of existing contract-based personal pensions. In addition a cap on occupational schemes is being introduced later in the year (as this cap is being introduced by the DWP under a separate piece of work and is expected to come in from October 2017, although the DWP are still consulting on the draft Regulations). The two changes outlined above will be applied on an industry-wide basis and Phoenix will be introducing the changes by 31 March 2017 for all pension customers. Early exit charges that are currently set at less than 1 per cent. may not be increased.

A number of the firms which are the subject of the review are now the subject of additional investigations, including ALAC. The FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose financial penalties or compulsory customer remediation (depending on circumstances and its findings).

The thematic review on annuity sales practices

The Life Companies sell annuities. Currently, across the sector, a large number of customers who have pension policies with the Group buy an annuity from the firm that holds their pension policies. In other words, customers with pension policies often choose to use their savings to buy an annuity issued by the Group.

The FCA has conducted a number of reviews and studies in respect of the issue of annuity sales. On 11 December 2014, the FCA published the findings of its thematic review into annuity sales practices. In relation to the annuity sales practices report, the FCA concluded that firms need to improve the way in which they communicate with their customers, particularly during the period when customers are coming up to retirement and making their choices as to their retirement income provision. In particular the FCA found that:

- consumers did not shop around and/or switch providers when they chose to invest their pension pot in an annuity;
- firms' sales practices curtailed shopping around and product switching;
- the code of conduct on retirement choices, which is produced by the ABI, was not being applied consistently (or in some cases, at all); and
- some consumers were buying the wrong type of annuity (e.g., not buying an enhanced annuity when they were eligible for one).

As a result of the above, the FCA concluded that some consumers within the sector might be suffering detriment because they were not receiving potentially higher income.

The FCA asked certain relevant firms to carry out further work and gather more evidence to allow the FCA to reach conclusions on the basis of statistically significant information (rather than anecdotal or small sampling), focusing on whether customers have shopped around and purchased a standard, rather than an enhanced, annuity.

On 14 October 2016, the FCA published a further report on its thematic review of non-advised annuity sales practices (TR16/7). The review found no evidence of industry-wide or systemic failure to provide customers with sufficient information about enhanced annuities through non-advised sales resulting in actual loss. However, the FCA:

- (a) identified concerns in a small number of firms relating to significant communications that took place orally, usually on the telephone. The FCA has asked those firms to review their practices since 2008, appoint skilled persons to oversee the review, and provide redress where necessary. The FCA's Enforcement Division is considering whether any further action is needed; and
- (b) identified other areas of possible concern, including in relation to the recording and maintenance of records of calls.

The FCA encouraged all firms to consider its feedback and take appropriate action to address the points raised, to ensure their communications and sales process provide customers with the information they need when they need it. The FCA has also encouraged any customers who feel they were provided with insufficient information about enhanced annuities at the time they chose their annuity to contact their annuity provider. The Group has reviewed the detail of the FCA feedback and continues to make improvements to customer service in line with Group strategy, in particular around transparency of information.

To provide it with confidence across the whole sector, the FCA has asked a small number of the largest firms not part of the original sample to carry out an additional review (overseen by the FCA) to ensure that there are no concerns about their non-advised annuity sales practices.

Following this review the FCA may consider that firms have not met the relevant regulatory requirements and may investigate their conduct. The review may result in a change in law, regulation and/or regulatory emphasis, changes in the Group's practices and/or prompt future regulatory interventions. The FCA may require affected firms to carry out remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose financial penalties or compulsory customer remediation (depending on circumstances and its findings). It is not currently possible to assess what further actions the FCA may require affected firms to take or the effect such actions, if required, may have on the business of affected firms.

See also the risk factor entitled "*The thematic review on annuity sales practices may affect the Group's business*".

The Independent Projects Board (“IPB”)

The IPB was established by the association of British Insurers (ABI) to look at legacy pension scheme charges and to recommend what actions needed to be taken by Governance Bodies. Following the review of charges in workplace pension schemes, the FCA wrote to the Life Companies at the end of January 2017 outlining its expectation that ongoing charges for workplace schemes should be capped at 1 per cent. The Group is currently considering how and when to implement this cap.

TAXATION

The following is a general description of certain Cayman Islands, Jersey, Irish and UK tax considerations relating to the Notes or Coupons, as well as a description of FATCA. It does not purport to be a complete analysis of all tax considerations relating to the Notes or Coupons whether in those countries or elsewhere. It relates to the position of persons who are the absolute beneficial owners of the Notes or Coupons and some aspects do not apply to certain classes of taxpayer (such as dealers and Noteholders who are connected or associated with the relevant Issuer for relevant tax purposes). The statements in this section do not constitute tax or legal advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK, Jersey, Ireland or the Cayman Islands or who may be unsure as to their tax position should seek their own professional advice. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes or Coupons, or any person through which an investor holds Notes or Coupons, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Cayman Islands

Noteholders are not subject to any tax in the Cayman Islands in respect of the holding, sale or other disposition of Notes. Payments of interest on the Notes may be made by PGH without withholding or deductions for or on account of Cayman Islands income tax. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

PGH is registered as an “exempted company” pursuant to the Companies Law (as amended) of the Cayman Islands. PGH has received an undertaking from the Governor-in-Cabinet of the Cayman Islands in accordance with Section 6 of the Tax Concession Law (as amended) of the Cayman Islands that, for a period of 30 years from 11 May 2010 no law enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall apply to PGH or its operations; and in addition that no tax to be levied on profits, income, gains or appreciations shall be payable (i) on or in respect of the shares, debentures or other obligations of PGH or (ii) by way of the withholding in whole or in part of payment of dividend or other distribution of income or capital by PGH to its members or a payment of principal or interest or other sums due under a debenture or other obligation of PGH. Accordingly, it is not envisaged that PGH will be subject to any taxation in the Cayman Islands other than in relation to incidental registry fees and stamp duties on certain instruments entered into by it and no withholding taxes should be imposed by the Cayman Islands on any payment in respect of Senior Notes by PGH pursuant to the Guarantee.

There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the Cayman Islands.

Jersey

PGH is subject to a zero per cent. rate of corporation/income tax in Jersey as a “non-financial services company” for the purposes of the Income Tax (Jersey) Law 1961, as amended.

Noteholders who are not resident for income tax purposes in Jersey are not subject to taxation in Jersey in respect of any income or gains arising in respect of Notes held by them. Noteholders who are resident for income tax purposes in Jersey will be subject to income tax in Jersey on any interest paid on Notes held by

them or on their behalf. Under current Jersey law neither PGH nor PGHC is obliged to withhold income tax from these payments or from payments made in respect of Senior Notes under the Guarantee. No duties are payable in Jersey on the issue, conversion, redemption or transfer of Notes or Coupons. Stamp duty is payable at a rate up to approximately 0.75 per cent. of the value of Notes or Coupons on the registration of Jersey probate or letters of administration which may be required in order to transfer, convert, redeem or make payments in respect of Notes or Coupons held by a deceased individual sole holder of Notes or Coupons who is resident for tax purposes in Jersey. There is no capital gains tax, estate duty or inheritance tax in Jersey.

Ireland

Taxation of Noteholders

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. PGHC will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

- (a) the Notes are quoted Eurobonds i.e. securities which are issued by a company (such as PGHC), which are listed on a recognised stock exchange (such as the London Stock Exchange) and which carry a right to interest; and
- (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the Noteholder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and
- (c) interest which is profit dependent and which is paid out on the Notes could, under certain anti-avoidance provisions, be re-characterised as a distribution and subject to dividend withholding tax in certain circumstances. However, this should not apply on the basis of a confirmation by PGHC that, at the time the Notes were issued, PGHC was not in possession or aware of any information which could reasonably be taken to indicate that interest or other distributions paid on the Notes would not be subject, without reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that relevant territory by persons from sources outside that relevant territory, where the term “relevant territory” means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty (the “**Relevant Territory**”).

Thus, so long as the Notes continue to be quoted on the London Stock Exchange, are held in Euroclear and/or Clearstream, Luxembourg, and PGHC has provided the confirmations set out in paragraph (c) above, interest

on the Notes can be paid by any paying agent acting on behalf of PGHC free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland and PGHC has provided the confirmations set out in paragraph (c) above.

Deductibility of Interest

New rules contained in the Finance Act 2016 restrict deductibility of interest paid by a qualifying company that is profit dependent or exceeds a reasonable commercial return to the extent that the interest is associated with the business of a qualifying company of holding 'specified mortgages', subject to a number of exceptions. A 'specified mortgage' for this purpose is (a) a loan which is secured on, and which derives its value from, or the greater part of its value from, directly or indirectly, Irish land; or (b) a 'specified agreement' (effectively a profit dependent derivative) which derives all of its value, or the greater part of its value, directly or indirectly, from Irish land or a loan to which (a) applies; or (c) the portion of a specified security (essentially a security in respect of which, if the Finance Act 2016 rules did not apply to, payments on that security would be deductible under section 110 of the TCA), is attributable to the specified property business in accordance with the new rules; or (d) units in an IREF (being a specific form of investment undertaking within the meaning of Chapter 1B of Part 27 of the TCA).

The legislation treats the holding of such specified mortgages as a separate business to the rest of the qualifying company's activities. The qualifying company is taxed on any profit that is attributable to that business at 25% and any such interest that is profit dependent or exceeds a reasonable commercial return is not deductible, subject to a number of exceptions, and potentially subject to Irish withholding tax at 20%.

Accordingly, on the basis that PGHC has not acquired and will not acquire 'specified mortgages' for the purposes of Section 110 of the TCA, the new rules should not apply to this transaction.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax, notwithstanding that the Noteholder is not resident in Ireland. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by PGHC are exempt from income tax so long as PGHC is a qualifying company for the purposes of Section 110 of the TCA, the recipient is not resident in Ireland and is resident in a Relevant Territory

and, the interest is paid out of the assets of PGHC. Secondly, interest payments made by PGHC in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which will come into force once all ratification procedures have been completed. Thirdly, interest paid by PGHC free of withholding tax under the quoted Eurobond exemption is exempt from income tax where the recipient is a person not resident in Ireland and resident in a relevant territory or is a company not resident in Ireland which is under the control, whether directly or indirectly, of person(s) who by virtue of the law of a relevant territory are resident for the purposes of tax in a relevant territory and is not under the control of person(s) who are not so resident or is a company not resident in Ireland where the principal class of shares of the company or its 75% parent is substantially and regularly traded on a recognised stock exchange. For the purpose of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or, in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, the charge to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless (i) such holder is either resident or ordinarily resident in Ireland or (ii) such holder carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held or (iii) the Notes cease to be listed on a stock exchange in circumstances where the Notes derive their value or more than 50% of their value from Irish real estate, mineral rights or exploration rights.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 33 per cent) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 so long as PGHC is a qualifying company for the purposes

of Section 110 of the TCA and the proceeds of the Notes are used in the course of PGHC's business), on the issue, transfer or redemption of the Notes.

United Kingdom

General

The comments in this part are of a general nature and are not intended to be exhaustive. They are based on current United Kingdom (“UK”) tax law as applied in England and Wales and published HM Revenue & Customs practice (there can be no assurance that HM Revenue & Customs will apply its published practice). They assume that there will be no substitutions of the relevant Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). They relate 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. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

In general, tax at the basic rate of income tax (currently 20 per cent.) is required to be withheld from payments of UK source interest. Payments of interest on the Notes by the relevant Issuer may be made without deduction or withholding on account of UK income tax provided that such interest does not have a UK source.

If payments of interest have a UK source (for example as a result of the Issuer becoming resident in the UK), they may still be made by the relevant Issuer without deduction of or withholding on account of UK income tax while the Notes continue to be listed on a “recognised stock exchange” within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

In addition, if payments of interest have a UK source and the Notes qualify as ‘regulatory capital securities’ as defined in, and for the purpose of, the Taxation of Regulatory Capital Securities Regulations 2013 (SI 2013/3209) as amended (the “**Regulations**”), they may still be made without deduction of or withholding on account of UK income tax provided that there are not arrangements in existence the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the Regulations to the Notes. The definition of ‘regulatory capital securities’ for these purposes does not include, for example, any Tier 3 regulatory capital.

In all other cases, if the interest were to be treated as having a UK source it may be subject to UK withholding tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty or any other available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled.

Payments by Guarantor

If payments by the Guarantor under the Guarantee in respect of the Senior Notes were not treated as having a UK source they should not be subject to UK withholding tax. If this were not the case then, depending on the correct legal analysis of the payments as a matter of UK tax law (which is uncertain), it is possible that any payments by the Guarantor would be subject to UK withholding tax at the basic rate (currently 20 per cent.), subject to any claim which could be made under applicable double tax treaties or any other available exemptions

and reliefs, including an exemption for certain payments to which a company within the charge to United Kingdom corporation tax is beneficially entitled.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. Each of PGHC and PGH believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including Ireland and the Cayman Islands) 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. Certain aspects of the application of these rules 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, is not clear at this time. 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 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

Cayman Islands Automatic Information Exchange Agreement

Holders of Notes who are resident in the United Kingdom for tax purposes should be aware that the United Kingdom has now signed an intergovernmental automatic information exchange agreement with the Cayman Islands (and is in the process of negotiating similar agreements with other United Kingdom Overseas Territories and Crown Dependencies), modelled on the intergovernmental agreement between the United Kingdom and the United States that implements the United States FATCA legislation. Under this automatic information exchange agreement, the Cayman Islands will, subject to any applicable exemptions, require PGH to identify any direct or indirect United Kingdom resident account holders (including debt holders and equity holders) in PGH and obtain and provide to the Cayman Islands Tax Information Authority certain information about such United Kingdom resident account holders. Such information will be automatically exchanged by the Cayman Islands Tax Information Authority with the United Kingdom tax authorities. A Noteholder that is resident in the United Kingdom for tax purposes or is an entity that is identified as having one or more controlling persons that is resident in the United Kingdom for tax purposes will generally be required to provide to PGH and its agents information which identifies such United Kingdom tax resident persons and the extent of their respective interests in PGH. Noteholders who may be affected should consult their own tax advisers regarding the possible implications of these rules.

SUBSCRIPTION AND SALE

Summary of Programme Agreement

Subject to the terms and on the conditions contained in a Programme Agreement dated 21 December 2016 as amended and restated on 30 March 2017 (the “**Programme Agreement**”) between PGHC, PGH the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the relevant Issuer to the Permanent Dealers. However, each of the Issuers has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. PGH has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each of the Issuers has agreed to indemnify the Dealers against certain liabilities in connection with any relevant offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

U.S.

Each Dealer has acknowledged, and each further Dealer under the Programme Agreement will be required to acknowledge that, the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Programme Agreement will be required to agree that, except as permitted by the Programme Agreement, it will not offer or sell or, in the case of Bearer Notes, deliver Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable tranche of which such Notes are a part, as determined, and certified to the relevant Issuer, by the relevant Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by the relevant lead manager), within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering of such tranche of

Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

UK

Each Permanent Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (e) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (f) 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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or, as the case may be, the Guarantor; and
- (g) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that from 1 January 2018 it will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

European Economic Area

Prior to 1 January 2018, in relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented,

warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Permanent Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or distributed, and will not offer, sell or distribute any Notes or any copy of this Prospectus or any other document relating to the Notes in the Republic of Italy (“**Italy**”) in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of 24 February 1998 (the “**Consolidated Financial Services Act**”), except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of the Consolidated Financial Services Act and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**CONSOB Regulation**”), all as amended, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or Regulation 11971. Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:
 - (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and the relevant implementing instructions of the Bank of Italy (*Istruzioni di Vigilanza per le Banche della Banca d’Italia*), the Consolidated Financial Services Act and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;

- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by, *inter alia*, CONSOB or the Bank of Italy.

Any investor purchasing the Notes will be solely responsible for ensuring that any offer or resale of the Notes it purchased occurs in compliance with any applicable laws and regulations. This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this Prospectus may rely on it or its contents. In any event the Notes shall not be offered or sold to any individuals in Italy in either the primary or the secondary market.

France

Each of the Permanent Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France, it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), and/or (iii) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code monétaire et financier.

Switzerland

Each Permanent Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the relevant Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, for example, the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

Hong Kong

Each Permanent Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance.

Singapore

Each Permanent Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”).

Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor under Section 274 of the SFA;
- (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) 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
- (ii) 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 (as defined in Section 239(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:

- (A) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (B) where no consideration is or will be given for the transfer;
- (C) where the transfer is by operation of law or as specified in Section 276(7) of the SFA; or

- (D) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Ireland

Each Permanent Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended, the “**MiFID Regulations**”), including, without limitation, Regulations 7 (Authorisation) and 152 (Restrictions on advertising) thereof, any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the “**Companies Act**”), the Central Bank Acts 1942-2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank under Section 1363 of the Companies Act; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

Cayman Islands

Pursuant to the Companies Law (as amended) of the Cayman Islands, no invitation may be made to the public in the Cayman Islands to subscribe for, or purchase, Notes by or on behalf of PGH unless at the time of such invitation PGH is listed on the Cayman Islands Stock Exchange. PGH is not presently listed on the Cayman Islands Stock Exchange and, accordingly, no invitation to the public in the Cayman Islands is to be made by PGH, or on its behalf. No such invitation is made to the public in the Cayman Islands hereby.

General

These selling restrictions may be modified by the agreement of PGHC, PGH and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms or Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No action has been or will be taken in any country or any jurisdiction by the Dealers, PGHC or PGH that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering or publicity material relating to any of the Notes, in any country or jurisdiction where action for that purpose is required. Each Permanent Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it shall comply (to the best of its knowledge and belief, having made reasonable enquiries) with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers any of the Notes or has in its possession or distributes the Prospectus or any such other material relating to any of the Notes, in all cases at its own expense. Each Permanent Dealer has also undertaken and each Further Dealer appointed under the programme will be required to undertake to ensure that no obligations are imposed on PGHC, PGH or any other Dealer in any such jurisdiction as a result of any of the foregoing actions. PGHC, PGH and the other Dealers will have no responsibility for, and each Permanent Dealer has agreed and each further Dealer appointed under the Programme will be required to agree to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of any of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer,

sale or delivery. No Dealer has been authorised to make any representation or use any information in connection with the issue, subscription and sale of any of the Notes other than as contained or incorporated by reference in this Prospectus or any amendment or supplement to it.

FORM OF FINAL TERMS FOR SENIOR NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below. Provisions which are marked with a * only apply where PGH Capital Public Limited Company is the Issuer and provisions marked with a ** only apply where Phoenix Group Holdings is the Issuer.

Final Terms dated [●]

[PGH Capital Public Limited Company]* [Phoenix Group Holdings]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

[guaranteed by Phoenix Group Holdings]*

PART A – CONTRACTUAL TERMS FOR SENIOR NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the “**Conditions**”) set forth in the Prospectus dated 30 March 2017 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer [and the Guarantor]* and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from [PGH Capital Public Limited Company, Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland.]* [Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands]**

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer [and the Guarantor]* and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from [PGH Capital Public Limited Company, Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland.]* [Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands]**

[The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (“IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]³

1	Issuer:	[PGH Capital Public Limited Company]* [Phoenix Group Holdings]**
2	Guarantor:	[Phoenix Group Holdings]* [Not applicable]**
3	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
4	Specified Currency or Currencies:	[●]
5	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
6	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
7	(i) Specified Denominations:	[[●] and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
8	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[●]
9	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate/ Fixed to Floating Rate Notes/ Fixed Rate Reset Notes/ [●] month [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate/Zero Coupon]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Redemption Basis:	[Redemption at par]
13	Put/Call Options:	[Investor Put] [Issuer Call]

¹ Delete for offers concluded on or after 1 January 2018

² Delete for offers concluded on or after 1 January 2018

³ Include this legend for all offers concluded on or after 1 January 2018

- 14 (i) Status of the Notes: Senior Notes
- (ii) [Date [Board] approval for issuance of Notes obtained: [[●]/Not Applicable, save as discussed in [Paragraph 2] of the “*General Information*” section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note and Fixed to Floating Rate Note Provisions:** [Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “**Fixed Rate End Date**”)]
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]]
- (v) Day Count Fraction: [[“Actual/Actual”/ “Actual/Actual - ISDA”/ “Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
- (vi) Determination Dates: [[●] in each year/Not Applicable]
- (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- 16 **Fixed Rate Reset Note Provisions:** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Reset Margin: [+/-][●] per cent. per annum
- (iii) Interest Payment Date(s): [●] in each year
- (iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date: [●] per Calculation Amount
- (v) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
- (vi) First Reset Note Reset Date: [●]
- (vii) Anniversary Date(s): [●] [and each corresponding day and month falling [●] years thereafter]
- (viii) Reset Determination Dates: [●]
- (ix) Reset Rate: [[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]

	(x) Benchmark Gilt[s]:	[●]/[●]/[Not Applicable]
	(xi) Swap Rate Period:	[[●]/Not Applicable]
	(xii) Screen Page:	[“ICESWAP1”] / [“ICESWAP 2”] / [“ICESWAP3”] / [“ICESWAP4”] / [“ICESWAP 5”] / [“ICESWAP6”] / [●] / [Not Applicable]
	(xiii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
	(xiv) Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]
	(xv) Day Count Fraction:	[“Actual/Actual”/”Actual/Actual- ISDA”/ “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual 360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
	(xvi) Determination Dates:	[[●] in each year/Not Applicable]
17	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	– Floating Rate Option:	[●]

	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
(x)		Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi)		Margin(s):	[+/-][●] per cent. per annum
(xii)		Minimum Rate of Interest:	[●] per cent. per annum
(xiii)		Maximum Rate of Interest:	[●] per cent. per annum
(xiv)		Day Count Fraction:	["Actual/Actual" / "Actual/Actual - ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual 360"/ "30/360"/ "360/360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
18		Zero Coupon Note Provisions:	[Applicable/Not Applicable]
	(i)	Amortisation Yield:	[[●] per cent. per annum] / [Not Applicable]
	(ii)	Day Count Fraction:	["Actual/Actual"/"Actual/Actual - ISDA"/"Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/"30/360"/"360/360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/"30E/360 (ISDA)"/"Actual/Actual - ICMA"]

PROVISIONS RELATING TO REDEMPTION

19		Call Option:	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
20		Put Option:	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
21		Early Redemption Amount	
		Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on	[●]

event of default or other early redemption:

- 22 Final Redemption Amount of each Note: per Calculation Amount/ Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 23 **Form of Notes:**
- [Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes:**
- [Regulation S Global Note (U.S.\$/ nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]].
- 24 **New Global Note (Bearer Notes):** Yes No
- 25 **Global Certificates (Registered Notes):** Yes No
- 26 **New Safekeeping Structure (Registered Notes):** Yes No
- 27 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** Not Applicable/
- 28 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** Yes / No [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

- 29 U.S. selling restrictions: Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable
- 30 Additional selling restrictions: Not Applicable

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]*

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued have been rated:
- [Fitch Ratings: [●]]
- [S&P: [●]]
- [Moody's: [●]]
- [[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

- Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

- [[●]]"Save as discussed in [*Subscription and Sale*]", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

5 [Fixed Rate Notes only – YIELD

- Indication of yield: [●]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

FORM OF FINAL TERMS FOR TIER 3 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Phoenix Group Holdings

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 3 NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the “**Conditions**”) set forth in the Prospectus dated 30 March 2017 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.]

[The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MIFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify

¹ Delete for offers concluded on or after 1 January 2018

² Delete for offers concluded on or after 1 January 2018

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 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]³

1	Issuer:	Phoenix Group Holdings
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[●]
8	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]]
9	Interest Basis:	[[●] per cent. Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call]
13	(i) Status of the Notes:	Tier 3 Notes
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in [Paragraph 2] of the “ <i>General Information</i> ” section in the Prospectus]

³ Include this legend for all offers concluded on or after 1 January 2018

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “ Fixed Rate End Date ”)]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]
	(v) Day Count Fraction:	[[“Actual/Actual”/ “Actual/Actual - ISDA”/ “Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
	(vi) Determination Dates:	[[●] in each year/Not Applicable]
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Reset Margin:	[+/-][●] per cent. per annum
	(iii) Interest Payment Date(s):	[●] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[●] per Calculation Amount
	(v) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
	(vi) First Reset Note Reset Date:	[●]
	(vii) Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
	(viii) Reset Determination Dates:	[●]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]
	(x) Benchmark Gilt[s]	[●]/[●]/[Not Applicable]
	(xi) Swap Rate Period:	[[●]/Not Applicable]

	(xii) Screen Page:	["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [●] / [Not Applicable]
	(xiii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
	(xiv) Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]
	(xv) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(xvi) Determination Dates:	[[●] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]

–	Reset Date:	[●]
(x)	Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	["Actual/Actual" / "Actual/Actual - ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]

PROVISIONS RELATING TO REDEMPTION

17	Capital Replacement End Date:	[●]
18	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●]
19	Ratings Methodology Call:	[Applicable/Not Applicable]
20	Final Redemption Amount of each Note:	[[●] per Calculation Amount]/[Not Applicable]
21	Special Redemption Price:	
	(i) in respect of a Capital Disqualification Event redemption:	[●] per Calculation Amount
	(ii) in respect of a redemption for taxation reasons:	[●] per Calculation Amount
	(iii) in respect of a Ratings Methodology Event redemption:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
		[Registered Notes:

- [Regulation S Global Note (U.S.\$/€●) nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]
- 23 **Global Certificates (Registered Notes):** [Yes] [No]
- 24 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/[●]]
- 25 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

- 26 **U.S. selling restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
- 27 **Additional selling restrictions:** [Not Applicable]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [●]]
[S&P: [●]]
[Moody's: [●]]
[[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[●]/ "Save as discussed in [*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [Fixed Rate Notes only - YIELD

Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

ISIN Code: [●]
Common Code: [●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]
Names and addresses of additional Paying Agent(s) (if any): [●]

FORM OF FINAL TERMS FOR TIER 2 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Phoenix Group Holdings

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 2 NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the “**Conditions**”) set forth in the Prospectus dated 30 March 2017 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus is available for viewing at Citibank N.A., London Branch, Citigroup Centre Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.]

[The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information

¹ Delete for offers concluded on or after 1 January 2018

² Delete for offers concluded on or after 1 January 2018

document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]³

1	Issuer:	Phoenix Group Holdings
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[●]
8	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]]/[Not Applicable]
9	Interest Basis:	[[●]per cent. Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/-[●] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call]
13	(i) Status of the Notes:	Tier 2 Notes
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in [Paragraph 2] of the “ <i>General Information</i> ” section in the Prospectus]

³ Include this legend for all offers concluded on or after 1 January 2018

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “ Fixed Rate End Date ”)]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]
	(v) Day Count Fraction:	[[“Actual/Actual”/ “Actual/Actual - ISDA”/ “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
	(vi) Determination Dates:	[[●] in each year/Not Applicable]
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Reset Margin:	[+/-][●] per cent. per annum
	(iii) Interest Payment Date(s):	[●] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[●] per Calculation Amount
	(v) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
	(vi) First Reset Note Reset Date:	[●]
	(vii) Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
	(viii) Reset Determination Dates:	[●]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]
	(x) Benchmark Gilt[s]	[●]/[●]/[Not Applicable]
	(xi) Swap Rate Period:	[[●]/Not Applicable]

	(xii) Screen Page:	["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [●] / [Not Applicable]
	(xiii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
	(xiv) Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]
	(xv) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(xvi) Determination Dates:	[[●] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(ix) ISDA Determination	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]

- Reset Date: [●]
- (x) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction: [“Actual/Actual” / “Actual/Actual - ISDA” / “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]

17 **Optional Interest Payment Date** [Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

18 **Capital Replacement End Date:** [●]

19 **Call Option:** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) Notice period: [●]

20 **Ratings Methodology Call:** [Applicable/Not Applicable.]

21 **Final Redemption Amount of each Note:** [[●] per Calculation Amount]/[Not Applicable]

22 **Special Redemption Price:**

- (i) in respect of a Capital Disqualification Event redemption: [●] per Calculation Amount
- (ii) in respect of a redemption for taxation reasons [●] per Calculation Amount
- (iii) in respect of a Ratings Methodology Event redemption: [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23 **Form of Notes:**

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●]days’ notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€) nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]

24 **Global Certificates (Registered Notes):**

[Yes] [No]

25 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/[•]]

26 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] / [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

27 **U.S. selling restrictions:**

[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]

28 **Additional selling restrictions:**

[Not Applicable]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [●]]
[S&P: [●]]
[Moody's: [●]]
[[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[●]/ “Save as discussed in [“*Subscription and Sale*”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

5 [Fixed Rate Notes only - YIELD

Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]

Names and addresses of additional Paying Agent(s) (if any): [●]

FORM OF PRICING SUPPLEMENT FOR SENIOR NOTES

No prospectus is required in accordance with Directive 2003/71/EC, as amended, for the issue of the PD Exempt Notes described herein. The UK Listing Authority has neither approved or reviewed information contained in this Pricing Supplement.

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below. Provisions which are marked with a * only apply where PGH Capital Public Limited Company is the Issuer and provisions marked with a ** only apply where Phoenix Group Holdings is the Issuer.

Pricing Supplement dated [●]

[PGH Capital Public Limited Company]* [Phoenix Group Holdings]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

[guaranteed by Phoenix Group Holdings]*

PART A - CONTRACTUAL TERMS FOR SENIOR NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the “**Conditions**”) set forth in the Prospectus dated 30 March 2017 [and the supplemental Prospectus dated [●]] (the “**Prospectus**”). Any reference in the Conditions to “relevant Final Terms” shall be deemed to include “relevant Pricing Supplement”, where applicable.

This document constitutes the Pricing Supplement of the PD Exempt Notes described herein and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer [and the Guarantor]* and the offer of the PD Exempt Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from [PGH Capital Public Limited Company, Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland.]* [Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU]**.

[The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering

¹ Delete for offers concluded on or after 1 January 2018

² Delete for offers concluded on or after 1 January 2018

or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]³

1	Issuer:	[PGH Capital Public Limited Company]* [Phoenix Group Holdings]**
2	Guarantor:	[Phoenix Group Holdings]* [Not Applicable]**
3	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
4	Specified Currency or Currencies:	[●]
5	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
6	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
7	(i) Specified Denominations:	[[●] and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
8	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[●]
9	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate/ Fixed to Floating Rate Notes/ Fixed Rate Reset Notes/ [●] month [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate/Zero Coupon]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Redemption Basis:	[Redemption at par]
13	Put/Call Options:	[Investor Put] [Issuer Call]
14	(i) Status of the Notes:	Senior Notes
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in [Paragraph 2] of the “General Information” section in the Prospectus]

³ Include this legend for all offers concluded on or after 1 January 2018

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “Fixed Rate End Date”)]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]]
	(v) Day Count Fraction:	[[“Actual/Actual”/ “Actual/Actual - ISDA”/ “Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
	(vi) Determination Dates:	[[●] in each year/Not Applicable]
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
16	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Reset Margin:	[+/-][●] per cent. per annum
	(iii) Interest Payment Date(s):	[●] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[●] per Calculation Amount
	(v) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
	(vi) First Reset Note Reset Date:	[●]
	(vii) Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
	(viii) Reset Determination Dates:	[●]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]
	(x) Benchmark Gilt[s]	[●]/[●]/[Not Applicable]
	(xi) Swap Rate Period:	[[●]/Not Applicable]

	(xii) Screen Page:	["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [●] / [Not Applicable]
	(xiii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
	(xiv) Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]
	(xv) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(xvi) Determination Dates:	[[●] in each year/Not Applicable]
17	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]

- (x) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)
 - (xi) Margin(s): [+/-][●] per cent. per annum
 - (xii) Minimum Rate of Interest: [●] per cent. per annum
 - (xiii) Maximum Rate of Interest: [●] per cent. per annum
 - (xiv) Day Count Fraction: ["Actual/Actual" / "Actual/Actual - ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual 360"/ "30/360"/ "360/360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
- 18 **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
- (i) Amortisation Yield: [[●] per cent. per annum] / [Not Applicable]
 - (ii) Day Count Fraction: ["Actual/Actual"/"Actual/Actual - ISDA"/"Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/"30/360"/"360/360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/"30E/360 (ISDA)"/"Actual/Actual - ICMA"]

PROVISIONS RELATING TO REDEMPTION

- 19 **Call Option:** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period: [●]
- 20 **Put Option:** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Notice period: [●]
- 21 **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●]

22 Final Redemption Amount of each Note: per Calculation Amount/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23 **Form of Notes:**

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€) nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)].

24 **New Global Note (Bearer Notes):**

[Yes] [No]

25 **Global Certificates (Registered Notes):**

[Yes] [No]

26 **New Safekeeping Structure (Registered Notes):**

[Yes] [No]

27 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/

28 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] / [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

29 U.S. selling restrictions:

[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]

30 Additional selling restrictions:

[Not Applicable]

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]*

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [[●]/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]
[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [●]]
[S&P: [●]]
[Moody's: [●]]
[[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer and use of proceeds: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[●]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [Fixed Rate Notes only - YIELD

- Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

FORM OF PRICING SUPPLEMENT FOR TIER 3 NOTES

No prospectus is required in accordance with Directive 2003/71/EC, as amended, for the issue of the PD Exempt Notes described herein. The UK Listing Authority has neither approved or reviewed information contained in this Pricing Supplement.

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

Phoenix Group Holdings

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 3 NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the “**Conditions**”) set forth in the Prospectus dated 30 March 2017 [and the supplemental Prospectus dated [●]] (the “**Prospectus**”). Any reference in the Conditions to “relevant Final Terms” shall be deemed to include “relevant Pricing Supplement”, where applicable.

This document constitutes the Pricing Supplement of the PD Exempt Notes described herein and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the PD Exempt Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from Phoenix Group Holdings, 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands.

[The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]³

1	Issuer:	Phoenix Group Holdings
2	(i) Series Number:	[●]

¹ Delete for offers concluded on or after 1 January 2018

² Delete for offers concluded on or after 1 January 2018

³ Include this legend for all offers concluded on or after 1 January 2018

	(ii) Tranche Number:	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[●]
8	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]]
9	Interest Basis:	[[●] per cent. Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/-[●] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call]
13	(i) Status of the Notes:	Tier 3 Notes
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in [Paragraph 2] of the “ <i>General Information</i> ” section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “ Fixed Rate End Date ”)]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount

(iv)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]
(v)	Day Count Fraction:	[["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]]
(vi)	Determination Dates:	[[●] in each year/Not Applicable]
(vii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
(i)	Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Reset Margin:	[+/-][●] per cent. per annum
(iii)	Interest Payment Date(s):	[●] in each year
(iv)	Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[●] per Calculation Amount
(v)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
(vi)	First Reset Note Reset Date:	[●]
(vii)	Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
(viii)	Reset Determination Dates:	[●]
(ix)	Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]
(x)	Benchmark Gilt[s]	[●]/[●]/[Not Applicable]
(xi)	Swap Rate Period:	[[●]/Not Applicable]
(xii)	Screen Page:	[["ICESWAP1"/ ["ICESWAP 2"/ ["ICESWAP3"/ ["ICESWAP4"/ ["ICESWAP 5"/ ["ICESWAP6"/ [●] / [Not Applicable]
(xiii)	Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
(xiv)	Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]

(xv)	Day Count Fraction:	[“Actual/Actual”/“Actual/Actual- ISDA”/ “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual 360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
(xvi)	Determination Dates:	[[●] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
(i)	Interest Period(s):	[●]
(ii)	Interest Payment Dates:	[●]
(iii)	Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
(v)	Additional Business Centre(s):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
(viii)	Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(x)	Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum

(xiv) Day Count Fraction: [“Actual/Actual” / “Actual/Actual - ISDA”/ “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual/360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/ “Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]

PROVISIONS RELATING TO REDEMPTION

- 17 **Capital Replacement End Date:** [●]
- 18 **Call Option:** [Applicable/Not Applicable]
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
 - (iii) Notice period: [●]
- 19 **Ratings Methodology Call:** [Applicable/Not Applicable]
- 20 **Final Redemption Amount of each Note:** [[●] per Calculation Amount]/[Not Applicable]
- 21 **Special Redemption Price:**
 - (i) in respect of a Capital Disqualification Event redemption: [●] per Calculation Amount
 - (ii) in respect of a redemption for taxation reasons: [●] per Calculation Amount
 - (iii) in respect of a Ratings Methodology Event redemption: [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 **Form of Notes:**

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●]days’ notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
- 23 **Global Certificates (Registered Notes):** [Yes] [No]
- 24 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/[●]]

25 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

26 **U.S. selling restrictions:**

[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]

27 **Additional selling restrictions:**

[Not Applicable]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [[●]/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]
[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [●]]
[S&P: [●]]
[Moody's: [●]]
[[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer and use of proceeds: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

- [[●]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [Fixed Rate Notes only - YIELD

- Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]]
	(ii) Calculation Amount (Definitive Notes only):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[●]
8	Maturity Date:	[[●]/The Interest Payment Date falling in or nearest to [●]/[Not Applicable]
9	Interest Basis:	[[●]per cent. Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/-[●] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call]
13	(i) Status of the Notes:	Tier 2 Notes
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in [Paragraph 2] of the “ <i>General Information</i> ” section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the “ Fixed Rate End Date ”)]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 15(vii)/not subject to adjustment]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[●]]

(v)	Day Count Fraction:	[["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
(vi)	Determination Dates:	[[●] in each year/Not Applicable]
(vii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
(i)	Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Reset Margin:	[+/-][●] per cent. per annum
(iii)	Interest Payment Date(s):	[●] in each year
(iv)	Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[●] per Calculation Amount
(v)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / Not Applicable]
(vi)	First Reset Note Reset Date:	[●]
(vii)	Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
(viii)	Reset Determination Dates:	[●]
(ix)	Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]
(x)	Benchmark Gilt[s]	[●]/[●]/[Not Applicable]
(xi)	Swap Rate Period:	[[●]/Not Applicable]
(xii)	Screen Page:	["ICESWAP1"/ ["ICESWAP 2"/ ["ICESWAP3"/ ["ICESWAP4"/ ["ICESWAP 5"/ ["ICESWAP6"/ [●] / [Not Applicable]
(xiii)	Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[●] day count basis]/[Not Applicable]
(xiv)	Floating Leg:	[[3]/[6]/[●]-month [LIBOR]/[EURIBOR]/[●] rate calculated on an [Actual/365]/[Actual/360]/[●] day count basis]/[Not Applicable]
(xv)	Day Count Fraction:	[["Actual/Actual"/ "Actual/Actual- ISDA"/ "Actual/Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/

		“Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
	(xvi) Determination Dates:	[[●] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[Not Applicable]/[●] in each year [,subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(ix) ISDA Determination	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(x) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
	(xi) Margin(s):	[+/-][●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiv) Day Count Fraction:	[“Actual/Actual” / “Actual/Actual - ISDA” / “Actual/Actual/365 (Fixed)”/ “Actual/365 (Sterling)”/ “Actual 360”/ “30/360”/ “360/ 360”/ “Bond Basis”/ “30E/360”/

		“Eurobond Basis”/ “30E/360 (ISDA)”/ “Actual/Actual - ICMA”]
17	Optional Interest Payment Date	[Applicable/Not Applicable]
PROVISIONS RELATING TO REDEMPTION		
18	Capital Replacement End Date:	[●]
19	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●]
20	Ratings Methodology Call:	[Applicable/Not Applicable.]
21	Final Redemption Amount of each Note:	[[●] per Calculation Amount]/[Not Applicable]
22	Special Redemption Price:	
	(i) in respect of a Capital Disqualification Event redemption:	[●] per Calculation Amount
	(ii) in respect of a redemption for taxation reasons	[●] per Calculation Amount
	(iii) in respect of a Ratings Methodology Event redemption:	[●] per Calculation Amount
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
23	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●]days’ notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [Registered Notes: [Regulation S Global Note (U.S.\$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
24	Global Certificates (Registered Notes):	[Yes] [No]
25	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[●]]

26 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes] / [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

27 **U.S. selling restrictions:** [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]

28 **Additional selling restrictions:** [Not Applicable]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [[●]/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]
[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [●]]
[S&P: [●]]
[Moody's: [●]]
[[●] [is/is not] established in the European Economic Area and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

- (i) Reasons for the offer and use of proceeds: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

- [[●]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [Fixed Rate Notes only - YIELD]

- Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of additional Paying Agent(s) (if any): [●]

GENERAL INFORMATION

- (1) It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The acceptance of the Programme on the Official List in respect of Notes issued under the Programme for a period of 12 months from the date of this Prospectus is expected to be granted on or around 4 April 2017. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. If a Series of Notes will be unlisted, or listed on another exchange, the specific terms relating to such Series of Notes will be contained in a Pricing Supplement.
- (2) Each of PGHC and PGH has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of PGHC passed on 12 December 2016 and resolutions of the Board of Directors of PGH passed on 20 October 2016 and 30 November 2016. The update of the Programme was authorised by a resolution of the Board of Directors of PGHC passed on 24 February 2017 and a resolution of the Board of Directors of PGH passed on 3 February 2017.
- (3) Since 31 December 2015, there has been (i) no significant change in the financial or trading position of PGHC and (ii) no material adverse change in the prospects of PGHC.
- (4) Since 31 December 2016, there has been (i) no significant change in the financial or trading position of PGH and (ii) no material adverse change in the prospects of PGH and its subsidiaries.
- (5) Save as described in the section of this Prospectus entitled “*Information on Phoenix Group Holdings and the Group - Litigation and Arbitration Proceedings*”, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which PGHC or PGH is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of PGHC, PGH or the Group.
- (6) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: “Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (“**ISIN**”) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. Unless otherwise stated in the relevant Final Terms, the relevant Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (9) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of each of the Paying Agents:
 - (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

- (ii) the Programme Agreement;
 - (iii) the Agency Agreement;
 - (iv) the Issuer/ICSD Agreement;
 - (v) the Memorandum and Articles of Association of PGHC and PGH;
 - (vi) the published Annual Report and Accounts of PGHC in respect of the financial years ended 31 December 2014 and 31 December 2015 and the published Annual Report and Accounts of PGH in respect of the financial years ended 31 December 2015 and 31 December 2016;
 - (vii) each set of Final Terms for Notes that are listed on the Official List and admitted to trading on the Market;
 - (viii) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus and any documents incorporated by reference into this Prospectus or any Supplement to this Prospectus; and
 - (ix) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at either PGHC's or PGH's request and any part of which is included or referred to in this Prospectus.
- (10) Ernst & Young LLP of 1 More London Place, London, SE1 2AF, United Kingdom, which is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW") and is registered to carry on audit work by the ICAEW, have audited and rendered an unqualified audit report on the accounts of the Group for the years ended 31 December 2015 and 31 December 2016.
 - (11) Ernst & Young of Harcourt Centre, Harcourt Street, Dublin 2, Republic of Ireland, which is a member of Chartered Accountants Ireland ("CAI") and is registered to carry on audit work by the CAI, have audited and rendered an unqualified audit report on the accounts of PGHC for the years ended 31 December 2014 and 31 December 2015.
 - (12) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuers and/or their affiliates in the ordinary course of business.
 - (13) Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of PGHC, PGH and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of PGHC, PGH or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with PGHC and/or PGH routinely hedge their credit exposure to PGHC and/or PGH consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

PGH Capital Public Limited Company

Arthur Cox Building
Earlsfort Terrace
Dublin 2
Ireland

Phoenix Group Holdings

1st Floor, 32 Commercial Street
St. Helier
Jersey JE2 3RU
Channel Islands

ARRANGER

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

DEALERS

ABN AMRO Bank N.V.

Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

ING Bank N.V.

Foppingadreef 7
1102 BD Amsterdam
The Netherlands

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

**The Royal Bank of Scotland plc (trading
as NatWest Markets)**

250 Bishopsgate
London EC2M 4AA
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Lloyds Bank plc

10 Gresham Street
London EC2V 7AE
United Kingdom

Natixis

30, Avenue Pierre Mendès-France
75013 Paris
France

TRUSTEE

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