ADMISSION PARTICULARS DATED 23 MAY 2023

RL Finance Bonds No. 6 plc

(incorporated with limited liability in England and Wales with registered number 14501996)

£350,000,000 10.125 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes

guaranteed on a subordinated basis by

The Royal London Mutual Insurance Society Limited

(incorporated with liability limited by guarantee in England and Wales with registered number 99064)

Issue Price: 100.00 per cent.

The £350,000,000 10.125 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes guaranteed by The Royal London Mutual Insurance Society Limited (the "**Guarantor**" and, together with its consolidated subsidiaries, the "**Group**") on a subordinated basis (the "**Notes**") will be issued by RL Finance Bonds No. 6 plc (the "**Issuer**") on or about 25 May 2023 (the "**Issue Date**"). The Notes will bear interest from (and including) the Issue Date to (but excluding) 25 November 2033 (the "**First Reset Date**") at the rate of 10.125 per cent. per annum and thereafter at a rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date. Interest will be payable on the Notes in equal instalments semi-annually in arrear on 25 May and 25 November in each year (each, an "**Interest Payment Date**"), commencing on 25 November 2023, subject to cancellation as provided below and as further described in the terms and conditions of the Notes (the "**Conditions**").

The Issuer may elect at any time to cancel (in whole or in part) any payment of interest, and the Guarantor may elect at any time to cancel (in whole or in part) any Guaranteed Amounts (as defined in the Conditions) in respect of any payment of interest, otherwise scheduled to be paid on an Interest Payment Date and the Issuer and the Guarantor shall, save as otherwise permitted pursuant to the Conditions, cancel in full any Interest Payment or any Guaranteed Amounts in respect of any Interest Payment, respectively, upon the occurrence of a Mandatory Interest Cancellation Event (as defined in the Conditions). Any interest accrued in respect of an Interest Payment Date which falls on or after the date on which a Trigger Event (as defined in the Conditions) occurs shall also be cancelled (save to the extent permitted by the Prudential Regulation Authority (the "PRA") if it waives Automatic Conversion (as defined in the Conditions) in respect of such Trigger Event). Any Interest Payment (or part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment of any Interest Payment shall not constitute a default or event of default for any purpose. Subject as provided in the Conditions, all payments under or arising from the Notes will be conditional upon the Guarantor being solvent (as defined in the Conditions) at the time for payment by the Issuer or, as appropriate, the Guarantor, and no amount shall be payable under or arising from the Notes (including, without limitation, the Guarantee (as defined in the Conditions) unless and until such time as the Guarantor could make payment and still be solvent immediately thereafter.

UPON THE OCCURRENCE OF A TRIGGER EVENT, THE ISSUER'S OBLIGATIONS IN RELATION TO THE NOTES WILL (UNLESS THE PRA WAIVES AUTOMATIC CONVERSION IN RESPECT OF SUCH TRIGGER EVENT) BE IRREVOCABLY AND AUTOMATICALLY RELEASED IN CONSIDERATION FOR THE ISSUE OF CONVERSION SHARES AS PROVIDED IN THE CONDITIONS.

The Notes will be perpetual securities with no fixed redemption date, and the Noteholders will have no right to require the Issuer to redeem or purchase the Notes at any time. Subject to the Redemption and Purchase Conditions (as defined in the Conditions), (A) all (but not some only) of the Notes may be redeemed at the option of the Issuer on any day falling in the period commencing on (and including) 25 May 2033 and ending on (and including) the First Reset Date, or on any day falling in the period commencing six months prior to, and ending on (and including), any Reset Date thereafter, and (B) the Issuer may elect to redeem all (but not some only) of the Notes at any time (i) following the occurrence of (or if the Issuer or the Guarantor satisfies the Trustee (as defined in the Conditions) that there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event (each as defined in the Conditions), or (ii) following the occurrence of (or if the Issuer or the Guarantor satisfies the Trustee that there will occur within 12 months) an Accounting Event (as defined in the Conditions), or (iii) if a Tax Event (as defined in the Conditions) has occurred and is continuing or (iv) if 80 per cent. or more of the aggregate principal amount of the Notes originally issued have been purchased by or on behalf of the Issuer, the Guarantor and/or any of their respective Subsidiaries (as defined in the Conditions) and (in each such case) cancelled pursuant to the Conditions.

The Issuer may, alternatively, following the occurrence of (or if the Issuer satisfies the Trustee that there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event or following the occurrence of (or if the Issuer or the Guarantor satisfies the Trustee that there will occur within 12 months) an Accounting Event or if a Tax Event occurs and is continuing, vary or substitute the Notes in the circumstances described in Condition 9. Any substitution or variation of the Notes, and any redemption or purchase of the Notes, will be subject to satisfaction of the Redemption and Purchase Conditions.

Applications have been made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market (the "**ISM**" or the "**Market**"). References in these Admission Particulars to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to trading on the Market. The Market is not a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"). These Admission Particulars do not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") and, in accordance with the UK Prospectus Regulation, no prospectus is required in connection with the issuance of the Notes.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the "FCA"). The London Stock Exchange has not approved or verified the contents of these Admission Particulars.

The Notes will be issued in registered form in the denomination of £200,000 and integral multiples of £1,000 in excess thereof.

The Notes will upon issue initially be represented by a global certificate in registered form (the "**Global Certificate**") registered in the name of a nominee for the common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Individual certificates ("**Certificates**") evidencing holdings of Notes will be available only in certain limited circumstances described under "*Summary of Provisions relating to the Notes whilst in Global Form*".

The Notes, the Guarantee and the Conversion Shares into which the Notes may convert have not been, and will not be, registered under the United States Securities Act 1933, as amended (the "**Securities Act**"). The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*" below) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and the Notes, the Guarantee and the Conversion Shares may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act.

The Notes are expected to be rated BBB by S&P Global Ratings Europe Limited ("**S&P**"), and Baa3 by Moody's Investors Service Limited ("**Moody's**"). S&P is not established in the United Kingdom (the "**UK**") but the rating it has given to the Notes is endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA, as amended (the "**UK CRA Regulation**"). Moody's is established in the UK and registered under the UK CRA Regulation. S&P is established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**"). Moody's is not established in the EEA but the rating it has given to the Notes is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in these Admission Particulars.

UK MiFIR professionals and ECPs-only/No UK/EU PRIIPs KID/FCA CoCo Restriction - In addition to the restrictions described under "*EU PRIIPs Regulation – Prohibition of sales to EEA retail investors*" and "*UK PRIIPs Regulation – Prohibition of sales to UK retail investor*s" below, pursuant to the United Kingdom Financial Conduct Authority Conduct of Business Sourcebook ("COBS") the Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients (as defined in COBS 3.4) in the United Kingdom (as if COBS 22.3 applies to the Notes). The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients, as defined in MiFID II, in the European Economic Area. Prospective investors are referred to the section headed "*Prohibition on marketing and sales of Notes to retail investors*" of these Admission Particulars for further information.

Joint Structuring Advisors

BNP PARIBAS **HSBC**

Joint Lead Managers

BNP PARIBAS **BofA Securities** **HSBC**

IMPORTANT NOTICES

The Issuer and the Guarantor accept responsibility for the information contained in these Admission Particulars. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in these Admission Particulars is in accordance with the facts and these Admission Particulars make no omission likely to affect its import.

These Admission Particulars are to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

Save for the Issuer and the Guarantor, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers (as described under "*Subscription and Sale*" below) or the Trustee as to the accuracy or completeness of the information contained or incorporated in these Admission Particulars or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. None of the Joint Lead Managers nor the Trustee accepts any liability in relation to the information contained in these Admission Particulars or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Guarantor, the Joint Lead Managers or the Trustee to give any information or to make any representation not contained in or not consistent with these Admission Particulars or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee.

Neither these Admission Particulars nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee that any recipient of these Admission Particulars or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither these Admission Particulars nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes in any jurisdiction where such offer or invitation is not permitted by law.

Neither the delivery of these Admission Particulars nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

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 these Admission Particulars 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.

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.

OFFER RESTRICTIONS

These Admission Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Admission Particulars and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Joint Lead Managers and the Trustee do not represent that these Admission Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of these Admission Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Admission Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Admission Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Admission Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Admission Particulars and the offer or sale of Notes in the United States, the United Kingdom, the European Economic Area, Hong Kong, Singapore and Switzerland, see "*Subscription and Sale*".

Restrictions on marketing and sales

Prohibition on marketing and sales of Notes to retail investors

The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with characteristics similar to the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

In the United Kingdom, the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that certain securities with characteristics similar to the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the United Kingdom.

Each of the Joint Lead Managers is required to comply with COBS (as if COBS 22.3 applies to the Notes).

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest therein) from the Issuer, the Guarantor and/or any Joint Lead Manager (acting as Joint Lead Manager), each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer, the Guarantor and the Joint Lead

Managers that:

1. it is not a retail client in the United Kingdom;

2. it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the United Kingdom or communicate (including the distribution of these Admission Particulars, in preliminary or final form) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that communication, invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the United Kingdom.

In selling or offering the Notes or making or approving communications, invitations or inducements relating to the Notes, each prospective investor may not rely on the limited exemptions set out in COBS (as if COBS 22.3 applies to the Notes).

The obligations above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area (the "**EEA**") or the United Kingdom) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interest therein), whether or not specifically mentioned in these Admission Particulars, in preliminary or final form, including (without limitation) any requirements under MiFID II or the United Kingdom FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interest therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interest therein) from the Issuer, the Guarantor and/or any of the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

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

EU PRIIPS REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of MiFID II and (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**" or "**IDD**"), 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.

UK PRIIPS REGULATION - PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018") – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all persons (including all relevant persons as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS AS STABILISATION MANAGER (THE "**STABILISATION MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Unless otherwise specified or the context requires, all references in these Admission Particulars to "**sterling**" and "**£**" refer to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. Certain terms used throughout these Admission Particulars are defined under the section headed "*Definitions*".

In these Admission Particulars, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

FORWARD-LOOKING STATEMENTS

These Admission Particulars include 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", "anticipates", "estimates", "expects", "intends", "plans", "aims", "potential", "projects", "may", "will", "would", "could", "should", "considered", "likely", "estimate", 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 these Admission Particulars and include, but are not limited to, statements regarding the intentions of the Issuer and/or the Guarantor, beliefs or current expectations concerning, among other things, the business, operations, financial position and/or prospects of the Issuer and/or the Guarantor.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and operations of the Group, and the development of the markets and industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in these Admission Particulars. In addition, even if the Group's 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 these Admission Particulars, 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. See "*Risk Factors*" below.

Such forward-looking statements are based on numerous assumptions regarding the Issuer, the Guarantor and the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of these Admission Particulars. Except as required by the London Stock Exchange, the Disclosure and Transparency Rules or any other applicable law or regulation, the Issuer and the Guarantor expressly disclaim any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained in these Admission Particulars to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

These Admission Particulars should be read and construed in conjunction with:

(i) the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2022 and 2021 (*https://www.royallondon.com/siteassets/site-docs/about-us/annual-reports/annual-report-and-accounts-2022-rl.pdf* and *https://www.royallondon.com/siteassets/site-docs/about-us/annual-reports/annual-report-and-accounts-2021.pdf*) prepared in accordance with UK Generally Accepted Accounting Practice as set by the Financial Reporting Council ("**UK GAAP**"), together with the audit reports thereon, each of which have been previously published; and

(ii) the Single Group Solvency and Financial Condition Report of the Group for the year ended 31 December 2022 (*https://www.royallondon.com/siteassets/site-docs/about-us/corporate-goverance/regulatory-returns-and-publications/single-group-solvency-and-financial-condition-report-2022.pdf*) together with the audit report thereon, which has been previously published.

Such documents (the "**Documents Incorporated by Reference**") shall be incorporated in, and form part of, these Admission Particulars, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purposes of these Admission Particulars 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 these Admission Particulars. Any documents themselves incorporated by reference in the Documents Incorporated by Reference in these Admission Particulars shall not form part of these Admission Particulars.

Copies of the Documents Incorporated by Reference in these Admission Particulars may be obtained (without charge) from the websites listed above.

Since the date of its incorporation, the Issuer has not undertaken any operations, save in connection with the issue of the Notes, and no financial statements have been prepared.

The information on *https://www.royallondon.com* does not form part of these Admission Particulars, except where that information has been incorporated by reference into these Admission Particulars.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in these Admission Particulars. Capitalised terms which are defined in "Terms and Conditions of the Notes" have the same meaning when used in this overview. References to numbered Conditions are to the Conditions as set out under "Terms and Conditions of the Notes".

Issuer	RL Finance Bonds No. 6 plc.
Legal Entity Identifier of the Issuer	213800HIIIVB4H22RI80
Guarantor	The Royal London Mutual Insurance Society Limited, a company limited by guarantee.
Legal Entity Identifier of the Guarantor	G8FFYFZ5TIO54GXBFZ14
Website of the Guarantor	*https://www.royallondon.com*
Joint Structuring Advisors	BNP Paribas and HSBC Bank plc.
Joint Lead Managers	BNP Paribas, HSBC Bank plc and Merrill Lynch International.
Trustee	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent, Registrar and Transfer Agent	HSBC Bank plc.
Issue	£350,000,000 10.125 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes.
Issue Date	25 May 2023.
Issue Price	100.00 per cent.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out under "*Risk Factors*".
Status of the Notes	The Notes will constitute direct and unsecured obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

Issuer Winding-Up occurring prior to a Trigger Event

If, at any time prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has also occurred or is occurring, the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may claim or prove in such Issuer Winding-Up for an amount equal to the outstanding principal amount of such Notes together with any accrued but unpaid interest thereon (to the extent not previously cancelled in accordance with the Conditions) and any damages awarded for breach of any obligations under the Notes and the Trust Deed, and the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed which shall not be subordinated) and the Noteholders against the Issuer in respect of such amounts will be subordinated in the manner provided in the Trust Deed to the claims of all Issuer Senior Creditors. If and to the extent that the amount that the Trustee or the Noteholders could recover in such Issuer Winding-Up (including any damages awarded for breach of any obligations under the Notes and the Trust Deed) would exceed the amount per Note that would have been paid in respect of such Note in such Guarantor Winding-Up (had the Note been a subordinated obligation of the Guarantor for an amount equal to the relevant Guaranteed Amounts and ranking *pari passu* with the Guarantee), then the Trustee and the Noteholders shall, without the need for any further step or action on the part of the Trustee or Noteholders, assign (and be treated as having assigned) irrevocably such excess amounts and the right thereto to the Guarantor.

If, at any time prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not occurring, the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and the Noteholders (in each case in relation to any amount which they are entitled to receive in such Issuer Winding-Up in respect of, or arising under, the Notes and the Trust Deed (including any damages awarded for breach of any obligations thereunder)) shall, without the need for any further step or action on the part of the Trustee or Noteholders, assign (and be treated as having assigned) irrevocably such amounts and the right thereto to the Guarantor as consideration for the Guarantor's agreement to assume, or procure the assumption by a Subsidiary of the Guarantor of, the obligations of the Issuer (including the obligation to pay such aforementioned damages, if any) pursuant to, and in accordance with, Condition 7(*d*) and shall be deemed irrevocably to have authorised and directed the Issuer (or its liquidator or administrator, as appropriate) to make the payment of any such amounts directly to the Guarantor.

In such event, the rights of Noteholders upon any subsequent Automatic Conversion of the Notes shall be as set out in "*Automatic Conversion following a substitution of the Issuer following an Issuer Winding-Up*" below.

Issuer Winding-Up occurring on or after a Trigger Event

If (whether or not a Guarantor Winding-Up also occurs at or after such time) an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated under "*Automatic Conversion*" below, in which case the provisions under "*Issuer Winding-Up occurring prior to a Trigger Event*" above shall continue to apply as if such Trigger Event had not occurred), and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, on the day prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would have been entitled to receive upon an Automatic Conversion (as further described under "*Automatic Conversion*" below), whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

In such circumstances, Noteholders shall be entitled to claim solely against the Issuer, and shall have no claim against the Guarantor in respect of Guaranteed Amounts or any other amounts whatsoever under or in connection with the Notes or the Trust Deed.

Guarantee and Subordination

The Notes will be irrevocably guaranteed on a direct, unsecured and subordinated basis by the Guarantor. The rights and claims of Noteholders against the Guarantor are subordinated in a Guarantor Winding-Up as described in Condition 4(*b*).

The obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor.

Guarantor Winding-Up occurring prior to a Trigger Event

If a Guarantor Winding-Up occurs at any time prior to the occurrence of a Trigger Event, the rights and claims of Noteholders against the Guarantor in relation to Guaranteed Amounts (including, without limitation, any damages awarded for breach of any obligations under the Notes and the Trust Deed) will be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors, but shall rank:

(a) at least *pari passu* with all claims in respect of (i) all other subordinated obligations of the Guarantor which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Guarantor 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 and (ii) all obligations which rank, or are expressed to rank, *pari passu* therewith (together, "**Parity Obligations**"); and

(b) in priority to the claims of members of the Guarantor (under any applicable legislation relating to the winding-up of companies limited by guarantee and/or of insurers) in their capacity as members of the Guarantor (together, the "**Junior Obligations**").

In a Guarantor Winding-Up which occurs at any time prior to the occurrence of a Trigger Event, the amount payable in respect of Guaranteed Amounts (in lieu of any other payment by the Issuer) shall be an amount equal to the outstanding principal amount of such Notes together with any accrued but unpaid interest thereon (to the extent not previously cancelled in accordance with the Conditions) to the date of payment of such amounts and any damages awarded for breach of any obligations under the Notes and the Trust Deed, and the claims for such amounts will be subordinated in the manner described above.

The Guarantor is a company limited by guarantee. Upon the liquidation, winding-up or administration of the Guarantor the liability of each of its members is limited to a contribution of one penny per member.

For these purposes:

"**Senior Creditors**" means:

(a) any policyholders of the Guarantor and, for the avoidance of doubt, the claims of Senior Creditors of the Guarantor who are policyholders shall include (i) 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 **PPFM** of the Guarantor and its obligations to treat customers fairly) and (ii) all amounts which the Board of Directors of the Guarantor (or a committee thereof) has resolved prior to a Guarantor Winding-Up shall be distributed to policyholders of the Guarantor under the ProfitShare Arrangements but which amounts have not yet been paid or allocated to the relevant policyholders at the time of such Guarantor Winding-Up but excluding therefrom any future distributions under the ProfitShare Arrangements that have not been declared at the time of such Guarantor Winding-Up;

(b) creditors of the Guarantor (other than policyholders) who are unsubordinated creditors of the Guarantor (including in respect of any unsubordinated guarantee given by the Guarantor); and

(c) other creditors of the Guarantor whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Guarantor (including creditors of the Guarantor whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Guarantor 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 2 Capital or Tier 3 Capital) (other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Guarantor in respect of any obligation of any other person which constitute), or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Noteholders (or the Trustee on their behalf) under the Guarantee).

"**Tier 2 Capital**" has the meaning given to such term by the Relevant Rules from time to time.

"**Tier 3 Capital**" has the meaning given to such term by the Relevant Rules from time to time.

Guarantor Winding-Up occurring on or after a Trigger Event

If a Guarantor Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated under "*Automatic Conversion*" below, in which case the provisions under "*Guarantor Winding-Up occurring prior to a Trigger Event*" above shall continue to apply as if such Trigger Event had not occurred) and where the Automatic Conversion has not yet been effected, the only rights of the Noteholders (and of the Trustee on their behalf) shall be to claim to have such Conversion Shares delivered to them (or, if an Issuer Winding-Up also occurs prior to delivery of the Conversion Shares, to claim against the Issuer as provided above under "*Issuer Winding-Up occurring on or after a Trigger Event*") and the Noteholders (and the Trustee on their behalf) shall not have any other rights in respect of their Notes, the Trust Deed or any Guaranteed Amounts.

No double recovery

If, in an Issuer Winding-Up, any payment is made to the Trustee and/or the Noteholders in respect of, or arising under, the Notes and/or the Trust Deed by the liquidator or the administrator of the Issuer, such amount shall, in addition to the assignments referred to above, reduce *pro tanto* the amounts payable by the Guarantor under the Guarantee (and/or, as appropriate, any Substituted Obligor substituted for the Issuer) (save to the extent such amounts are subsequently paid by the Trustee or, as appropriate, the Noteholders to the Issuer or its liquidator or, as appropriate, administrator in accordance with Condition 3(d)).

If, in a Guarantor Winding-Up, any payment is made to the Trustee and/or the Noteholders in respect of, or arising under, the Guarantee by the liquidator or the administrator of the Guarantor, such amount shall, in addition to the assignments referred to above, reduce *pro tanto* the amounts payable by the Issuer under the Notes and the Trust Deed (save to the extent such amounts are subsequently paid by the Trustee or, as appropriate, the Noteholders to the Guarantor or its liquidator or, as appropriate, administrator in accordance with Condition 3(d)).

Solvency Condition

Other than (A) in circumstances where a Guarantor Winding-Up has occurred or is occurring, or (B) in respect of a claim against the Issuer pursuant to Condition 3(b)(iii) (but subject, in each case, to Condition 3(b)(v)):

(i) all payments by the Issuer 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 Issuer being solvent (as that term is described in Condition 3(c)) at the time for payment by the Issuer, and no amount shall be due or payable by the Issuer under or arising from the Notes or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter; and

(ii) all payments by the Guarantor under or arising from (including any damages awarded for breach of any obligations) the Notes or Trust Deed shall be conditional upon the Guarantor being solvent (as that term is described in Condition 3(c)) at the time for payment by the Guarantor and no amount shall be payable by the Guarantor under or arising from the Notes or the Trust Deed (including, without limitation, the Guarantee) unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter.

Any payment of interest that would have been due and payable but for the Solvency Condition not being satisfied shall be cancelled.

No Set-off

By acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived and to have directed and authorised the Trustee on its behalf to have waived any right of set-off or counterclaim that such Noteholder might otherwise have against the Issuer or the Guarantor in respect of or arising under the Notes or the Trust Deed (including the Guarantee) whether prior to or in liquidation, winding-up or administration.

Interest

The Notes will bear interest:

(a) from (and including) the Issue Date to (but excluding) the First Reset Date at the rate of 10.125 per cent. per annum; and

(b) thereafter at the applicable Reset Rate (as defined in, and calculated in accordance with, the Conditions) which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter.

Interest will, subject as described below in "*Cancellation of Interest Payments*", "*Mandatory Cancellation of Interest Payments*", "*Guarantor's Available Funds*" and "*Interest Payments Discretionary*", be payable in equal instalments semi-annually in arrear on 25 May and 25 November in each year, commencing on 25 November 2023.

Cancellation of Interest Payments

Subject as more fully described in the Conditions, Interest Payments shall not be made by the Issuer, and Guaranteed Amounts in respect of Interest Payments shall not be made by the Guarantor, in the following circumstances:

(a) the cancellation of such Interest Payment or Guaranteed Amount, or such Interest Payment or Guaranteed Amount not becoming due and payable, in accordance with the provisions described under "*Mandatory Cancellation of Interest Payments*" below;

(b) the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) or the Guarantor's exercise of its discretion otherwise to cancel the Guaranteed Amount in respect of such Interest Payment (or relevant part thereof) as described under "*Interest Payments Discretionary*" below; or

(c) the cancellation of payments of accrued interest in accordance with the provisions described under "*Automatic Conversion*" below.

Any Interest Payment (or relevant part thereof) and Guaranteed Amount in respect of any Interest Payment (or relevant part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment shall not constitute a default or event of default for any purpose.

Mandatory Cancellation of Interest Payments

Subject to certain limited exceptions as further described in the Conditions, the Issuer shall cancel in full any Interest Payment (and the Guarantor shall cancel in full the Guaranteed Amount in respect thereof), and the Issuer shall have no obligation to make such Interest Payment (and the Guarantor shall have no obligation to pay Guaranteed Amounts in respect thereof), if:

(a) the Solvency Condition is not met at the time for payment of such Interest Payment, or would (if the Guarantor were to make payment thereof) cease to be met immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(b) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would, if either the Issuer or the Guarantor were to make payment thereof, occur immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(c) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would, if either the Issuer or the Guarantor were to make payment thereof, occur immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(d) the amount of such Interest Payment (or Guaranteed Amounts in respect thereof), together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not (and, if made by the Guarantor, would not) reduce the Guarantor's Available Funds and any payments already accounted for by way of deduction in determining the Guarantor's Available Funds) since the end of the latest financial year of the Guarantor and prior to, or on, such Interest Payment Date, would exceed the amount of the Guarantor's Available Funds as at the Interest Payment Date in respect of such Interest Payment; or

(e) the Issuer or the Guarantor is otherwise required by the PRA or the Relevant Rules to cancel (or procure the cancellation of) the relevant Interest Payment (or Guaranteed Amounts in respect thereof),

(each a "**Mandatory Interest Cancellation Event**").

Notwithstanding the foregoing, the Issuer shall not be required to cancel an Interest Payment (and the Guarantor shall not be required to cancel any Guaranteed Amounts in respect thereof) where a Mandatory Interest Cancellation Event solely as a result of the circumstances described in paragraph (b) above has occurred and is continuing, or would occur if payment of interest on the Notes (or Guaranteed Amounts in respect thereof) were to be made, to the extent permitted by the Relevant Rules, where:

(i) the PRA has exceptionally waived the cancellation of the Interest Payment (and/or Guaranteed Amounts in respect thereof);

(ii) payment of the Interest Payment by the Issuer or payment of Guaranteed Amounts in respect thereof by the Guarantor would not further weaken the solvency position of the Guarantor or the Insurance Group; and

(iii) the Minimum Capital Requirement will be complied with immediately following the payment of such Interest Payment (or Guaranteed Amounts in respect thereof), if made.

Guarantor's Available Funds

Subject as otherwise defined or provided for with respect to available distributable items from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

(a) the Distributable Amount of the Guarantor, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Guarantor; plus

(b) the interim profits (if any) of the Guarantor, calculated on an unconsolidated basis, for the period from the Guarantor's then latest financial year end to (but excluding) such Interest Payment Date; less

(c) the interim net loss (if any) of the Guarantor, calculated on an unconsolidated basis, for the period from the Guarantor's then latest financial year end to (but excluding) such Interest Payment Date,

all as calculated and determined by the Guarantor in accordance with the Relevant Rules.

"**Distributable Amount**" means profits available for distribution, as determined in accordance with sections 830 and 833A of the Companies Act 2006, or (if the Guarantor is substituted for a Substituted Obligor which is not a United Kingdom company) the relevant provision under the law of the jurisdiction of incorporation of such Substituted Obligor or (in each case) any equivalent or replacement provision.

Interest Payments Discretionary

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, and Guaranteed Amounts in respect thereof will be due and payable only at the sole and absolute discretion of the Guarantor. Payments of interest on the Notes (and Guaranteed Amounts in respect thereof) are also subject to the mandatory cancellation provisions set out in the Conditions. Accordingly, the Issuer may at any time, subject as provided below, elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date, and the Issuer shall not have any obligation to make such Interest Payment. The Guarantor may at any time, subject as provided below, elect to cancel any Guaranteed Amount in respect of any Interest Payment (or part thereof) which would otherwise be due and payable on any Interest Payment Date, and the Guarantor shall not have any obligation to pay such Guaranteed Amount.

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Own Fund Items of both the Guarantor and the Insurance Group but the Issuer has not exercised its option to redeem the Notes as described in "*Redemption, substitution or variation due to a Capital Disqualification Event, Ratings Methodology Event or an Accounting Event*" below, then, to the extent permitted under the Relevant Rules, the Issuer shall not exercise its discretion to cancel any Interest Payment (and the Guarantor will not exercise its discretion to cancel any Guaranteed Amount in respect thereof) due on the Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event. This provision is without prejudice to the remainder of the Conditions, including (without limitation) the continuing application of the Solvency Condition, the provisions described in "*Mandatory Cancellation of Interest Payments*" above and in "*Automatic Conversion*" below. Accordingly, the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules (other than as set out in this paragraph) notwithstanding the occurrence of the relevant Capital Disqualification Event and the operation of said provision.

Automatic Conversion

Subject as provided under "*Automatic Conversion following a substitution of the Issuer following an Issuer Winding-Up*" below, immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur (unless the PRA has waived Automatic Conversion as contemplated in Condition 7(a)).

"**Automatic Conversion**" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release, with effect immediately following the determination that a Trigger Event has occurred (unless the PRA has waived such Automatic Conversion in the circumstances set out in Condition 7(a)), by the Noteholders of all of the Issuer's obligations under the Notes and of all of the Guarantor's obligations under the Guarantee including, without limitation, the release of the full principal amount of each Note and all Guaranteed Amounts on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 7) at the then prevailing Conversion Price (being £1,000 per Conversion Share as at the Issue Date, subject to adjustment in limited circumstances as provided in the Conditions), the cancellation of all accrued and unpaid interest (whether or not then due) (and all Guaranteed Amounts in respect thereof) and any other amounts (if any) arising under or in connection with the Notes, the Guarantee and/or the Trust Deed (other than amounts to which the Trustee is entitled in its personal capacity under the Trust Deed).

The Issuer's obligation to repay the principal amount outstanding of each Note and all obligations of the Guarantor to pay Guaranteed Amounts pursuant to the Guarantee shall, without any further action required on the part of the Issuer, the Guarantor or the Trustee, be irrevocably released and discharged in consideration for, and simultaneously with, the Automatic Conversion. On and following an Automatic Conversion, Noteholders shall not have any rights against the Issuer or the Guarantor in an Issuer Winding-Up or a Guarantor Winding-Up or otherwise with respect to: (i) repayment of the principal amount of the Notes or any part thereof; (ii) the payment of any interest on the Notes for any period; or (iii) any other amounts arising under or in connection with the Notes, the Guarantee and/or the Trust Deed, but this is without prejudice to (A) the rights of Noteholders pursuant to Condition 3(b)(iii) and (B) the rights of holders of the Conversion Shares to claim in respect of those Conversion Shares in an Issuer Winding-Up.

The release of the principal amount of a Note pursuant to an Automatic Conversion shall be permanent and shall not constitute a default or event of default on the part of the Issuer or the Guarantor for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes, the Guarantee or the Trust Deed.

See Condition 7 for further information.

Trigger Event

A Trigger Event shall occur if at any time:

(a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;

(b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or

(c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Perpetual securities

The Notes will be perpetual securities with no fixed redemption date, and the Noteholders will have no right to require the Issuer to redeem or purchase the Notes at any time.

Redemption at the option of the Issuer

Subject to the Redemption and Purchase Conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 25 May 2033 and ending on (and including) the First Reset Date or (B) on any day falling in the period commencing on (and including) the date falling six months prior to, and ending on (and including), any Reset Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

The Notes are not redeemable at the option of any Noteholder.

Redemption, substitution or variation due to a Tax Event

(a) Subject to the Redemption and Purchase Conditions, if a Tax Event has occurred and is continuing, the Issuer may, in accordance with Condition 8(g), upon notice to, *inter alios*, the Noteholders (but without any requirement for the consent or approval of the Noteholders) either:

(b) redeem all (but not some only) of the Notes at any time at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(c) substitute all (but not some only) of the Notes at any time for, or vary the terms of the Notes so that they become or remain, Qualifying Securities,

all as more particularly described in Condition 8(*g*).

Redemption, substitution or variation due to a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event

Subject to the Redemption and Purchase Conditions, if a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event has occurred and is continuing, or the Issuer or the Guarantor satisfies the Trustee that a Capital Disqualification Event or a Ratings Methodology Event will occur within a period of six months, or that an Accounting Event will occur within a period of 12 months, the Issuer may upon notice to, *inter alios*, the Noteholders either:

(a) redeem all (but not some only) of the Notes at any time at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or

(b) substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, (A) in the case of a substitution or variation in connection with a Capital Disqualification Event or an Accounting Event, Qualifying Securities or (B) in the case of a substitution or variation in connection with a Ratings Methodology Event, Rating Agency Compliant Securities,

all as more particularly described in Conditions 9(*h*), 9(*i*) and 9(*j*).

Clean-up redemption option

Subject to the Redemption and Purchase Conditions, if at any time after the Issue Date, 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) have been purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries and cancelled (a "**Clean-Up Event**"), the Issuer may at its option, upon giving not less than 15 nor more than 30 days' notice to Noteholders, redeem all (but not some only) of the remaining Notes at any time at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued but unpaid interest to (but excluding) the date of redemption.

Purchases

Subject to the Redemption and Purchase Conditions, the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries may purchase Notes in any manner and at any price.

Redemption and Purchase Conditions

Neither the Issuer nor the Guarantor may redeem or purchase any Notes unless (save as otherwise permitted by the PRA pursuant to Condition 9(c) by way of exceptional waiver) each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied:

(a) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Relevant Issue Date, either

(1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or

(2) in the case of any redemption following a Tax Event or Capital Disqualification Event, the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Guarantor and Insurance Group, including by reference to the Guarantor's and the Insurance Group's medium-term capital management plans); and

(A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer or the Guarantor having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or

(B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and

(C) in either case, the Issuer or the Guarantor having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Relevant Issue Date;

(b) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Relevant Issue Date and (B) before the tenth anniversary of the Relevant Issue Date, the PRA has confirmed to the Issuer or the Guarantor that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Guarantor and the Insurance Group, including by reference to the Guarantor's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

(c) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with the Conditions) cause the Solvency Condition to be breached;

(d) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with the Conditions) cause the Solvency Capital Requirement to be breached;

(e) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with the Conditions) cause the Minimum Capital Requirement to be breached;

(f) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(a));

(g) no Insolvent Insurer Winding-up has occurred and is continuing; and/or

(h) the Regulatory Clearance Condition is satisfied,

the conditions set out in paragraphs (a) to (h) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the "**Redemption and Purchase Conditions**".

Notwithstanding the above conditions, if at the time of any redemption or purchase, the prevailing Relevant Rules permit the redemption or purchase only after compliance with one or more additional or alternative requirements or pre-conditions to those set out above, the Issuer and the Guarantor shall comply with such additional and/or any appropriate, alternative requirement or pre-conditions (which shall be deemed to be the "**Redemption and Purchase Conditions**")

Suspension of redemption

If on the proposed date for redemption or purchase of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall (save as otherwise permitted pursuant to Condition 9(c)) instead be suspended and such redemption shall occur only in accordance with Conditions 9(c) and 9(d) or, as applicable, the purchase of the Notes shall be cancelled.

Preconditions to redemption, variation and substitution	Prior to the publication of any notice of redemption, variation or substitution the Issuer or the Guarantor shall deliver to the Trustee a certificate signed by two of its Directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event, an Accounting Event or a Clean-Up Event has occurred and is continuing as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event or a Ratings Methodology Event) will occur within a period of six months or (in the case of an Accounting Event) will occur within a period of 12 months and that it would have been reasonable for the Issuer to conclude, judged at the Relevant Issue Date, that such Tax Event, Capital Disqualification Event, Ratings Methodology Event or Accounting Event was not reasonably foreseeable as at the Relevant Issue Date. Prior to the redemption, substitution or variation at the option of the Issuer due to a Tax Event, the Issuer shall 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 in accordance with Condition 9(g)(2). The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless the Regulatory Clearance Condition has been satisfied.
Withholding tax and additional amounts	The Issuer or, as the case may be, 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 required by law in the Relevant Jurisdiction upon payments of interest (including payments of Guaranteed Amounts in respect of interest), but not upon payments of principal or any other amount (or Guaranteed Amounts in respect of principal or any other amounts), made by or on behalf of the Issuer in respect of the Notes or by or 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 as set out in Condition 10.
Enforcement prior to a Trigger Event	*Guarantor not in Guarantor Winding-Up* If, prior to the occurrence of a Trigger Event, (1) neither an Issuer Winding-Up nor a Guarantor Winding-Up has occurred or (2) an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not occurring and, in either case, the Issuer is in default in the payment of any principal due in respect of the Notes or any of them, then the Trustee and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may, in accordance with the terms of the Guarantee, claim under the Guarantee for such payments due but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed. *Guarantor in Guarantor Winding-Up and Issuer in Issuer Winding-Up*

If, prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has also occurred or is occurring, the Trustee and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may claim under the Guarantee for the Guaranteed Amounts and the Trustee at its discretion may (and, subject to certain conditions, if so directed by the requisite majority of Noteholders shall, having been indemnified and/or secured and/or pre-funded to its satisfaction) prove in the relevant winding-up or administration of the Issuer and/or the Guarantor (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Issuer and/or the Guarantor (whether in England and Wales or elsewhere), such claim being as described in, and subordinated in the manner described in Condition 3(*b*)(i) or Condition 4(*b*), as applicable, but may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

Guarantor non-payment or Guarantor Winding-Up

If, prior to the occurrence of a Trigger Event, (A) default is made by the Guarantor for a period of 14 days or more in the payment of any Guaranteed Amount due under the Guarantee in respect of principal or (B) the Guarantor is in a Guarantor Winding-Up (where the Issuer is not in an Issuer Winding-Up), the Trustee at its discretion may (and, subject to certain conditions, if so directed by the requisite majority of Noteholders shall, having been indemnified and/or secured and/or pre-funded to its satisfaction):

(x) institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and prove in the winding-up and/or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as described in, and subordinated in the manner described in, Condition 3(b)(i), but may take no further or other action against the Issuer to enforce, prove or claim for any payment due in respect of the Notes or the Trust Deed; and

(y) in the case of (A), institute proceedings for the winding-up of the Guarantor in England and Wales (but not elsewhere) or, in the case of (A) or (B), prove in the winding-up or administration of the Guarantor (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Guarantor (whether in England and Wales or elsewhere), such claim being as described in, and subordinated in the manner described in, Condition 4(*b*), but in either case may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

The right to prove in winding-up proceedings in respect of the Issuer prior to the occurrence of a Trigger Event is limited to proving and/or claiming in an Issuer Winding-Up in circumstances where a Guarantor Winding-Up has also occurred or is occurring. Neither the Noteholders nor the Trustee *on their behalf have the right to institute winding-up procedures of the Issuer.*

If, prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not also occurring, the Guarantor shall (as more particularly described in the Trust Deed) assume, or shall procure the assumption by a Subsidiary of the Guarantor of, all of the obligations of the Issuer under the Notes and the Trust Deed (including any damages awarded against the Issuer for breach of any of its obligations thereunder) as if references in the Notes and the Trust Deed to "the Issuer" were to the Guarantor or the relevant Subsidiary (as the case may be) but provided that the claims of the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and the Noteholders against the Guarantor in respect of all payment obligations under the Notes and the Trust Deed shall rank pari passu with the Guarantee.

The right to institute winding-up proceedings in respect of the Guarantor is limited to circumstances where, prior to the occurrence of a Trigger Event, a payment under the Guarantee in respect of principal has become due and has not been paid by the Guarantor. For the avoidance of doubt, unless a Guarantor Winding-Up has occurred, no amount shall be due from the Guarantor in those circumstances where payment of such amount could not be made in compliance with the Solvency Condition or is cancelled or deferred in accordance with Condition 9(b) or 9(d).

Enforcement on or following a Trigger Event

If (whether or not a Guarantor Winding-Up also occurs at or after such time) an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(a), in which case the applicable provisions under "*Enforcement prior to a Trigger Event*" above shall continue to apply as if such Trigger Event had not occurred), and where an Automatic Conversion has not yet been effected, the Trustee at its discretion may (and, subject to certain conditions, if so directed by the requisite majority of Noteholders shall, having been indemnified and/or secured and/or pre-funded to its satisfaction) prove in the relevant winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as described in Condition 3(*b*)(iii), but may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

Substitution of obligor and transfer of business

The Conditions permit the Trustee to agree to the substitution in place of the Issuer or the Guarantor of a Substituted Obligor in the circumstances described in Condition 15 without the consent of Noteholders.

In addition, the Guarantor may, without any prior approval from the Noteholders or the Trustee, transfer the whole or a substantial part (being any part which represents 50 per cent. or more of the liabilities (where the amount of the liabilities of the Guarantor is deemed to mean the same as the technical provisions of the Guarantor, net of reinsurance) relating to

	policies underwritten by the Guarantor) of its business in the circumstances provided in Condition 17, provided that all the liabilities and obligations of the Guarantor as principal obligor under the Guarantee are transferred to the relevant transferee. Any such substitution will be subject to satisfaction of the Regulatory Clearance Condition and any such substitution which occurs (i) prior to the fifth anniversary of the Relevant Issue Date will be subject to the satisfaction of the condition described in paragraph (i)(1) of the Redemption and Purchase Conditions or (ii) on or after the fifth anniversary of the Relevant Issue Date and before the tenth anniversary of the Relevant Issue Date will be subject to the satisfaction of the condition described in paragraph (ii) of the Redemption and Purchase Conditions.
Meetings of Noteholders, Written Resolutions and Electronic Consents	The Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or video conference) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Written resolutions executed by or on behalf of the 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, and resolutions passed by way of Electronic Consents (as defined in the Conditions) given by holders of not less than 75 per cent. in principal amount of the Notes, shall also take effect as Extraordinary Resolutions. An Extraordinary Resolution passed at any duly convened and held meeting of the Noteholders or by way of a written resolution or electronic consent will be binding on all Noteholders, whether or not they are present at the meeting, execute the written resolution or give any electronic consent, as the case may be.
Form	The Notes will be issued in registered form only and will be represented upon issue by a registered global certificate (the "**Global Certificate**") which will be registered in the name of a nominee for a common depositary for Clearstream Luxembourg S.A. and Euroclear Bank SA/NV on or about the Issue Date. Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the Global Certificate.
Denomination	The denomination of the Notes shall be £200,000 and higher integral multiples of £1,000.
Listing	Application has been made to the London Stock Exchange for such Notes to be admitted to trading on the ISM.
Ratings	The Notes are expected to be rated BBB by S&P and Baa3 by Moody's. 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.
Governing law	The Notes and the Trust Deed (including the Guarantee), and any non-contractual obligations arising out of or in connection with the Notes or the

	Trust Deed (including the Guarantee), will be governed by, and construed in accordance with, English law.
Selling restrictions	Canada**,** European Economic Area, Hong Kong, Singapore, Switzerland, the United States and the United Kingdom.
Compliance information	UK MiFIR product governance - Manufacturer target market is eligible counterparties and professional clients only (all distribution channels). No EU PRIIPs or UK PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the EEA or in the UK.
FCA CoCo Restriction	In addition to the above, pursuant to COBS, the Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK.
Use of proceeds	It is intended that the gross proceeds of the issuance of the Notes will be on-lent on a subordinated basis by the Issuer to the Guarantor and used by the Guarantor for general corporate purposes including the refinancing of existing indebtedness, which may include the repurchase via the Tender Offer (as defined below) or early redemption of the outstanding £400,000,000 6.125 per cent. Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043 issued by RL Finance Bonds No. 2 plc (the "**Tender Notes Issuer**") and guaranteed by the Guarantor (the "**Tender Notes**"). The Tender Notes are not the subject of these Admission Particulars.
Concurrent tender offer	On 15 May 2023, the Guarantor announced that it had launched a tender offer (the "**Tender Offer**") in respect of the Tender Notes. The Tender Offer is expected to expire at 4.00 p.m. (London time) on 22 May 2023 (the "**Expiration Deadline**") and, subject to the satisfaction or waiver of the New Financing Condition (as defined in the tender offer memorandum dated 15 May 2023 prepared by the Guarantor (the "**Tender Offer Memorandum**")), is expected to settle on or around 25 May 2023, unless extended, re-opened, withdrawn, amended or terminated by the Guarantor (in its sole discretion). The Tender Offer is subject to, and being made only pursuant to, the Tender Offer Memorandum (including the offer restrictions set out in the Tender Offer Memorandum). Whether or not the Guarantor accepts for purchase any Tender Notes validly tendered in the Tender Offer and completes the Tender Offer is subject (unless such condition is waived by the Guarantor in its sole discretion), without limitation, to the successful issue (in the sole determination of the Guarantor) of the offering of the Notes pursuant to these Admission Particulars.
Clearing systems	Clearstream Banking S.A. and Euroclear Bank SA/NV.
ISIN	XS2625140301
Common Code	262514030

RISK FACTORS

Investing in the Notes involves certain risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes and/or the Guarantee. All of these factors are contingencies which may or may not occur. Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Group and the impact each risk could have on the Group is set out below.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in these Admission Particulars (including the Documents Incorporated by Reference) and reach their own views prior to making any investment decision. The risk factors set out below are the Group's current assessment of risks but over the term of the Notes their significance may change or new risks may emerge.

(A) RISKS RELATING TO THE GROUP

CREDIT, MARKET AND LIQUIDITY RISKS

1 The Group is exposed to a number of credit, market and liquidity related risks, including the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion; the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates; the risk that a firm, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

1.1 ***Market developments and government actions in the event of a re-emergence of a sovereign debt crisis in the UK, Europe, the US or other major economies and concerns over the solvency of international banks, could have a material adverse effect on the Group's financial condition and liquidity.***

Uncertainty over the fiscal policies of international governments, their consequences, and further responses of those governments may trigger a re-emergence of a sovereign debt crisis in highly-indebted states, disrupting equity and fixed income markets, and result in volatile bond yields on the sovereign debt. Under such circumstances, concerns could arise over the solvency of some banks and their resilience to any deterioration in macroeconomic conditions. Possible measures which could be taken by governments to restore the solvency of their banks (noting that solvency practices across many states are not aligned) may result in changes to current laws or significantly increase sovereign indebtedness, and act as a trigger for a re-emergence of the sovereign debt and banking crisis, all of which could have a material adverse effect on the Group's financial condition. The issues arising out of a re-emergence of the sovereign debt crisis may cause investors to lose confidence in the safety and soundness of financial institutions and economic stability, and affect the stability of the global financial system. Such events could adversely affect the Group's financial condition and liquidity.

1.2 ***Changes in interest rate and credit spread volatility could adversely affect the Group by reducing the returns on fixed income investments, reducing the market values of fixed income securities in the Group's investment portfolio and may cause policyholders to surrender their contracts.***

The Group is exposed to interest rate and credit spread fluctuations which can have a material adverse effect on the operations, financial results and/or financial condition of the Group.

For some time preceding recent increases in interest rates, the Group, as with other insurance businesses, had been operating in a low interest rate environment. Monetary policy taken by global central banks to control inflation has increased both short term interest rates and the yields on longer term Government bonds. A prolonged period of rising inflation and interest rates may develop into slow or stagnant economic growth if combined with slowing economic expansion and elevated unemployment.

The Group invests in a variety of investments which include interest rate sensitive instruments such as fixed income securities, whose value typically decreases as interest rates rise, and vice versa. In addition, guarantees included in certain insurance products may become more expensive during periods of low interest rates (such as those guaranteeing a particular minimum level of investment return).

If interest rates decrease, the Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the Group's investment margin. Moreover, borrowers may prepay or redeem fixed income securities in the Group's investment portfolio with greater frequency in order to borrow at lower market rates. Lowering bonus rates on with-profits policies can help manage the future build-up of liabilities. However, the ability to lower these rates could be limited by policyholder expectations, competition or contractually guaranteed minimum rates or the rates already being at a low level, and may not match the timing or magnitude of changes in asset yields.

Credit spreads, along with defaults and the migrations of investments from one credit rating to another have a direct impact on the value of certain assets of the Group, principally debt securities, whereby (all else equal) a widening credit spread will result in a decrease in the value of the relevant assets of the Group. Profits, from fees charged on unit-linked funds and other third party assets invested in corporate bonds, would fall when spreads widen, and the options and guarantees embedded in the with-profits business could become more onerous and hence may require support. Other areas where widening credit spreads could impact the Group's profitability are the valuation and matching of long-term liabilities. The Group is also exposed to a widening of credit spreads in its guaranteed with-profits policies where there may be an increase in the cost of the guarantees due to the underlying fall in asset values.

Further, while the Group seeks to maintain an investment portfolio with diversified maturities, it may not be possible to hold assets which will provide cash flows to match exactly those relating to policyholder liabilities. Market volatility can make it difficult to value certain securities if trading becomes less frequent. Accordingly, valuations of investments may include assumptions or estimates that may have significant period-to-period changes due to market conditions. This results in a residual asset/liability mismatch risk which can be managed but not eliminated. In addition, the Group's estimate of the liability cash flow profile is subject to uncertainty and may be inaccurate for reasons such as varying mortality, morbidity or other insurance claims, and the Group may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. Such a loss could have a material adverse effect on the operations, financial results and/or financial condition of the Group.

Furthermore, in other situations, declines in interest rates may result in an increase in the valuation of certain of the Group's life insurance liabilities, due to a reduction in the discount rate applicable to the valuation of such liabilities, which would impact upon the capital position of the Group.

Increases in interest rates could also negatively affect the Group's profitability. Surrenders of policies may increase as policyholders seek higher returns and higher guaranteed minimum returns. Obtaining cash to satisfy these surrenders may require the Group to liquidate fixed maturity investments at a time when market prices for those assets are depressed which may result in realised investment losses. Regardless of whether the Group realises an investment loss, these cash payments would result in a decrease in total invested assets, which may decrease the Group's net income. Premature withdrawals may also cause the Group to accelerate amortisation of policy acquisition costs, which would also reduce the Group's financial results.

1.3 ***The inability or failure of reinsurers to meet their financial obligations or the unavailability of adequate reinsurance coverage may adversely affect the Group's operations, financial results and/or financial condition.***

The Group has transferred part of its exposure to certain risks to other insurance companies through reinsurance arrangements. Reinsurers may become financially unsound by the time they are called upon to pay amounts due under such reinsurance arrangements. As a result of challenging financial market conditions and other macro-economic challenges affecting the global economy, reinsurers may experience increased regulatory scrutiny, serious cash flow problems and other financial difficulties. Reinsurers may also become financially unsound as a result of operational failures within their respective organisations.

Due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit and risk ratings, the Group is exposed to concentrations of risk with individual reinsurers. The Group operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall counterparty risk is within the Group's risk appetite. However, where reinsurers are subject to a ratings downgrade during the term of the reinsurance arrangement, the Group may be forced to incur additional expenses for reinsurance including holding additional capital. Furthermore, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection purchased. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect its ability to write future business. There is also the risk of the Group being unable to replace reinsurance cover in stressed conditions.

Reductions in risk appetite among reinsurers may result in changes in price or willingness to reinsure certain risks, which could have a material adverse effect on the Group's operations, financial results and/or financial condition. If reinsurers do not offer their products and services, in whole or in part, for any reason, there is a risk that the Group may be unable to procure appropriate reinsurance cover for the risks which it would otherwise wish to reinsure.

When the Group obtains reinsurance, the Group remains primarily liable for those transferred risks regardless of whether the reinsurer meets its reinsurance obligation. Therefore, the Group is subject to credit risk with respect to its current and future reinsurers. The insolvency of any reinsurers or their inability or unwillingness to meet their financial obligations or disputes on, and defects in, reinsurance contract wording or processes could materially and adversely affect the Group's operations, financial results and/or financial condition. Although the Group conducts periodic reviews of the financial statements of its reinsurers, reinsurers may become financially unsound by the time they are called upon to pay amounts due, which may not occur for many years. Although the Group (like other insurers) has taken steps to seek to mitigate this risk by using a diverse range of reinsurers and entering into security arrangements with certain reinsurers, such arrangements may not mitigate the risks entirely, and any inability or failure of the Group's reinsurers to meet their financial obligations could materially and adversely affect the Group's operations, financial results and/or financial condition.

The Group is also exposed to similar risks in relation to insurance counterparties in respect of certain Group risks covered by insurance, such as professional indemnity insurance. Any failure of the Group to put in place adequate insurance, or of the third party insurer to meet its financial obligations under such insurance, could materially and adversely affect the Group's operations, financial results and/or financial condition.

1.4 ***The inability or failure of other counterparties, including outsourcers and service providers, with whom the Group has a material relationship could affect the Group's operations, financial results and/or financial condition or prevent it from meeting its regulatory obligations.***

In line with other large financial services organisations, the Group has a number of material relationships with outsourcers and service providers. Certain parts of the business of the Group are heavily dependent on third parties to provide services (for example custody arrangements). Such third party service providers give rise to a risk to the Group through external factors outside of its control, such as economic, financial or political disruption.

The Group uses custodian banks to hold assets for safekeeping. The largest custodian is HSBC Global Custody Nominee (UK) Limited. Any failure by the custodians to administer the assets of the Group properly could lead to losses in the value or holding of assets by the Group.

In addition, the Group could be adversely affected in the event of a systemic disruption to the financial markets which would impact on the operations of its counterparties and service providers such as brokers and custodians. The interdependence of financial institutions means that the failure of a sufficiently large and influential financial institution could materially disrupt securities markets or clearance and settlement systems. This could cause severe market decline or volatility. Such a failure could also lead to a chain of defaults by counterparties that could materially adversely affect the Group. This systemic risk could adversely impact future product sales as a result of reduced confidence in the financial services industry. It could also reduce the Group's results because of market decline and write-downs of assets and claims on third parties. The Group believes that, despite increased focus by regulators around the world with respect to systemic risk, this risk remains part of the financial system in which the Group operates and dislocations caused by the interdependency of financial market participants could have a material adverse effect on the Group's operations.

1.5 ***Sustained underperformance across a range of any of the funds managed by RLAM could adversely affect financial results of the Group.***

Any sustained period of actual or perceived underperformance across a range of any of Royal London Asset Management Limited ("**RLAM**") funds, relative to peers, benchmarks or internal targets, could have a material adverse effect on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

Were RLAM to fail to provide satisfactory investment returns across a range of funds, customers and clients may decide to reduce their investments managed by RLAM or withdraw them altogether. Any investment underperformance could, therefore, have a material adverse effect on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

1.6 ***The Group enters into a significant number of hedging transactions and uses derivative instruments to hedge various risks and through this is exposed to counterparty default and liquidity risk.***

In addition to reinsurance, the Group enters into various hedging transactions to hedge various risks, with the primary aim of stabilising the capital position of the Royal London Open Fund and the RL(CIS) Closed Sub-Fund. These hedging transactions cannot eliminate all risks and there is therefore some uncertainty as to the extent to which such measures will be effective in reducing such risks. The Group's obligations to policyholders are not changed by hedging activities and the Group remains liable for obligations if derivative counterparties do not pay. Defaults by such counterparties could have a material adverse effect on the Group's operations, financial results and/or financial condition.

The Group seeks to limit and manage direct exposure to market counterparties by, for example, seeking to ensure that derivative transactions entered into are appropriately valued and collateralised. However, if the financial condition of market counterparties or their perceived creditworthiness does deteriorate, the Group may record credit valuation adjustments on the underlying instruments transacted with such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the operations, financial results and/or financial condition of the Group. Derivative instruments held to manage product or market risks may not perform or provide returns to the Group as intended or expected, resulting in higher losses and unforeseen liquidity and related collateral requirements.

Volatility in market variables, in particular rising interest rates, can also result in potentially large and sudden collateral requirements related to such hedging strategies, the funding of which would draw on the liquidity resources of the Group.

1.7 ***Counterparty default risk may have an adverse impact on the Group's operations, financial results and/or financial condition.***

The Group is exposed to the risk of failure or default of one or more of its counterparties who may not perform their payment or other obligations. These parties include private sector and government (or government-backed) issuers whose debt securities the Group holds in its investment portfolios, other loans, independent financial advisers as a material distribution channel of the Group's products, customers, custodial and operational banking counterparts and trading counterparties. The Group also executes transactions with other counterparties in the financial services industry, including brokers and dealers, commercial and investment banks, hedge funds and other investment funds, insurance groups and institutions. See also "*The inability or failure of other counterparties, including outsourcers and service providers, with whom the Group has a material relationship could affect the Group's operations, financial results and/or financial condition or prevent it from meeting its regulatory obligations*", "*Sustained underperformance across a range of any of the funds managed by RLAM could adversely affect financial results of the Group*" and "*The Group enters into a significant number of hedging transactions and uses derivative instruments to hedge various risks and through this is exposed to counterparty default risk*" above.

The Group has a significant exposure to credit default risk through investments in corporate bonds and loans, as well as exposures through counterparty risks in derivatives contracts and reinsurance arrangements and other financial instruments, including cash and cash equivalents, which could adversely impact on the operations, financial results and/or financial condition of the Group. The risks in these assets and exposures may be borne by the Group or by the policyholders whose policies the assets back, or a mixture of the two, where the Group holds some residual risk such as in relation to with-profits business. A counterparty default could create an immediate loss or a reduction in future profits, depending on where the loss occurred in the business.

The Group is also susceptible to an adverse financial outcome from a change in third-party credit standing. As well as having a potential impact on asset values and, as a result, the Group's operations, financial results and/or financial condition, credit rating movements can also impact its solvency position where regulatory capital requirements are linked to the credit rating of the investments held.

Even where security is taken with respect to such transactions, the Group's credit risk may not be mitigated if the collateral held by it cannot be realised or is liquidated at prices too low to recover the full amount of the loan or other value due. The Group also has an exposure to financial institutions in the form of unsecured and subordinated debt instruments and derivative transactions. In common with many insurance companies and other institutional investors, the Group engages in securities lending, or stock-lending, activities, whereby the Group loans equity and debt securities from its portfolios to counterparties that use the loaned securities in their securities trading activities. The stock-lending activity is performed by the custodian appointed by the Group, HSBC Global Custody Nominee (UK) Limited, with a guarantee provided by the custodian to accept the credit risk of any counterparty to which the Group seeks to lend securities.

Any losses or impairments suffered could materially and adversely affect the Group's operations, financial results and/or financial condition.

1.8 ***Some investments are relatively illiquid and are in asset classes that may experience significant fluctuations in realisable value.***

The Group holds certain investments that may lack liquidity, such as asset-backed securities, social housing loans, investment properties held in property funds, private equity, unlisted equities and unlisted debt securities, where the inputs used for their valuation are not directly observable in the market. There is a higher level of uncertainty with these assets that the Group would be able to sell them for the prices at which it has recorded them. If significant amounts of cash are required on short notice in excess of expected cash requirements, it may be difficult to sell these relatively illiquid investments in a timely manner, and, accordingly, the Group may be forced to sell them for less than the Group otherwise would have been able to. Such forced sales, in aggregate, could, therefore, have a material adverse effect on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

1.9 ***Fluctuations in currency exchange rates may adversely affect the Group's operations, financial results and/or financial condition.***

The Group is exposed to translation and transaction risk associated with foreign currencies. In particular, the Group provides certain products in Ireland through Royal London Insurance Designated Activity Company ("**RLI DAC**") and is therefore exposed to foreign currency exchange risk arising from fluctuations in the sterling: euro exchange rate. The Group's premium income and its assets are denominated in a variety of currencies, of which the largest are sterling, U.S. dollar and euro. Although the Group takes certain actions to address this risk, foreign currency exchange rate fluctuation could have an adverse effect on the Group's reported results due to unhedged positions or the failure of hedges to offset the impact of the foreign currency exchange rate fluctuation effectively. Any adverse foreign currency exchange fluctuation may also have an adverse effect on the Group's regulatory capital surplus under Solvency II required by the PRA in the UK and the CBI in Ireland.

1.10 ***Price and earnings inflation may adversely affect the Group's operations, financial results and/or financial condition.***

Inflation and inflation expectations have a potential impact on the value of the Group's investment portfolios, including through actions taken by policymakers in response to changes in underlying inflationary trends. These actions could manifest through changes in interest rates and related volatility. Further information on the impact of these factors is set out in section 1.2. Inflation is a continuing risk for the Group, including in respect of the Group's defined benefit pension schemes in that (subject to statutory caps) the schemes are obliged by their scheme rules to increase some elements of the pension payments and entitlements in line with inflation. The Group's UK pension schemes are exposed to both consumer price inflation ("**CPI**") and retail price inflation ("**RPI**") inflation but hedge over 90 per cent. of this risk (on UK GAAP Financial Reporting Standard 102 ("**FRS102**") basis) using index-linked Gilts and RPI swaps. The Group's Irish scheme is exposed to Irish consumer price inflation ("**Irish CPI**") and UK consumer price inflation ("**UK CPI**") (due to a historic link to the UK Liver Pension Scheme). The Group's Irish scheme hedges approximately 100 per cent. of Irish CPI risk (on FRS102 basis) but does not currently hedge any of its UK CPI exposure. The use of RPI swaps to hedge CPI exposure and the unhedged risks in the UK and Irish schemes means there could be an increase in the Group's pension scheme liabilities without there being corresponding and proportionate growth in the assets of the Group, leading to a net increase in the Group's pension scheme liabilities. See also "*The Group enters into a significant number of hedging transactions and uses derivative instruments to hedge various risks and through this is exposed to counterparty default risk.*"

The Group's maintenance costs are also subject to inflation, with around 50 per cent. of these being salary related and the rest including a number of significant third party contracts which are exposed to inflationary increases. If management fails to control such costs within the inflationary environment this could increase the Group's costs per policy, or unit costs, and hence potentially have a negative impact on the Group's profitability, financial results and/or financial condition. However contributions received on unit-linked workplace pensions business are also linked to earnings inflation, so these inflows increase under higher inflation. The Group is also subject to inflation risk through its holdings of fixed interest and other investments (as these will typically reduce in price if inflationary pressures cause market interest rates to rise).

1.11 ***The valuation of Fair Value ("FV") securities may include methodologies, estimations and assumptions which, by their nature, require judgement. The use of reasonable alternative methodologies, estimations and assumptions could result in changes to investment valuations that may materially adversely affect the Group's operations, financial results and/or financial condition.***

The Group values FV securities using designated methodologies, estimations and assumptions. If the market for a quoted financial investment is not active or the investment is unquoted, the FV is determined by using valuation techniques. For these investments, the fair value is established using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Valuation techniques include the use of recent arm's length transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs from independent sources and relying as little as possible on entity-specific inputs. The Group reviews the appropriateness of the valuation judgements through established governance structures. During periods of market disruption including periods of significantly rising or high interest rates or rapidly widening credit spreads or illiquidity, it may be difficult to value certain of the Group's securities if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes which were formerly in active markets (with significant observable data) which become illiquid due to changes in the financial environment. In such cases, more securities may require more subjectivity and management judgement. As such, valuations may include inputs and assumptions that are less observable, as well as valuation methods which are more sophisticated or require greater estimation, thereby resulting in values which may be more or less than the value at which the investments may be ultimately sold. Furthermore, rapidly changing credit and equity market conditions could materially impact the valuation of securities as reported within the Group's consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on the Group's operations, financial results and/or financial condition.

ECONOMIC RISKS

2 The Group's business is subject to risks arising from economic conditions in the UK and other markets in which its policyholders' investments are invested. Adverse developments could cause the Group's earnings and profitability to decline.

2.1 ***There is uncertainty and volatility from long-term effects stemming from the occurrence of pandemics such as COVID-19, which may affect the Group's business and the global economy more widely.***

The Group's business could be affected by current and future pandemics and their consequential impacts on mortality, morbidity, financial markets, business interruption, travel disruption and public liability with respect to the Group's customers. Specifically, since the World Health Organisation declared in March 2020 the novel strain of the coronavirus ("**COVID-19**") to be a global pandemic, a number of mutations and variations of COVID-19 have emerged, including mutations that have resulted in a higher transmissibility of the COVID-19 virus. In the future there may be further variants which could result in governments in affected areas reimposing measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and prohibition of gatherings and events.

If the pandemic is further prolonged as a result of vaccine resistant mutations of COVID-19, insufficient rates of vaccination in the general population, or if other diseases emerge that give rise to similar effects, macroeconomic conditions may be materially and adversely affected and may lead to a further economic downturn in the countries in which the Group operates and the global economy more widely, as well as further declines in financial markets and in the value of investment assets (which could in each case be widespread, severe and long lasting). This may adversely affect the Group's results, own funds and solvency cover ratio although the Group continues to maintain strong solvency levels and expects to continue to meet its solvency capital requirements.

It is uncertain to what extent COVID-19 may become an endemic disease, and the availability and effectiveness of future treatments, which in turn creates uncertainty about the on-going effect on mortality and morbidity associated with the lives that the Group insure, and as to the longer term impacts for the financial markets as a result of governments' responses to manage the impacts of the disease. The long-term impact on the health of those in the population who have suffered from COVID-19, particularly with respect to those who have suffered from 'long-COVID', is unknown and could also result in a prolonged increase in morbidity.

As experienced during the COVID-19 pandemic, legislative and regulatory changes in response to any future pandemic could adversely affect the Group's business. As such measures are often rapidly introduced and varying in their nature, the Group is exposed to heightened risks as it may be required to implement large-scale changes quickly. Furthermore, once such measures expire, are withdrawn or are no longer supported by governments, economic growth may be negatively impacted, which in turn may adversely affect the Group's business, operations, and financial performance.

Changes in consumer behaviour may result in a reduction in new business levels, investments and profitability and an increase in existing business withdrawals and paid up policies, which may adversely impact the ability of the Group to achieve its business plan targets.

Demographic shifts (such as the changing nature of employment) resulting in social policy changes may affect the Group's ability to attract and retain talent.

As an insurer, the Group could also be impacted by recurring or more widespread outbreaks of COVID-19 or such other future pandemics. These impacts would be through its life protection products as a result of increased mortality and persistency affecting funding commitments; savings products as a result of lower future premiums and higher future outflows; and income protection, critical illness and health insurance products as a result of increased morbidity.

As evidenced by the COVID-19 pandemic, the occurrence of any future pandemic may also result in increased operational risk through enforced remote working, staff absences for sickness and childcare, market volatility and the Group's outsourcing arrangements. These factors may impact the quality and continuity of service to customers and the reputation of the Group, as well as increasing the Group's exposure to risks relating to extensive remote working including cyber, data loss and occupational health. The business, operations, corporate reputation and financial condition of the Group could be adversely impacted by the occurrence of pandemics such as COVID-19 for a substantial period of time.

Uncertainty around mortality and morbidity risk has increased over the last few years through the pandemic. While the short-term impacts of COVID-19 on mortality experience have largely dissipated, it is likely that uncertainty around long term mortality and morbidity will remain for some time. The Group's ability to write new business could also be adversely affected. The Group would also be exposed to reinsurer counterparty risks in such an eventuality.

Longevity-related statistics are monitored in detail, compared with emerging internal experience and industry trends, and the results are used to inform both the reserving and pricing of annuities. Inevitably, there remains uncertainty about the development of future longevity and the future availability of techniques (such as reinsurance and swaps) to mitigate that risk. It is likely that uncertainty will remain in the development of future longevity that cannot be mitigated, with this uncertainty being exacerbated by COVID-19 both in terms of short-term and long-term life expectancies.

2.2 ***The Group is exposed to risks related to climate change, which could adversely affect its results, customer outcomes and operations.***

Climate change risk could potentially affect the Group across multiple risk categories. Due to the complexity of climate change risk and the reliance on the actions of world leaders, governments and policymakers, it is difficult to predict how and when the various risks associated with climate change may crystallise. The Group's climate commitments are based on its 2020 emissions profile and the expectation that governments and policymakers will deliver on their commitments to achieve the 1.5ºC temperature goal of the Paris Agreement, while ensuring the Group's actions do not contravene its fiduciary duty to its members and customers. The risk that the world's collective response to tackling climate change will be insufficient to limit global warming continues to cause concern at national and global levels. If global warming targets are not achieved, the consequence could be catastrophic physical risks which impact global economies, markets, companies, and people. The increased intervention from governments and regulators to mitigate this risk in turn creates a risk that the Group fails to keep pace with new legislation and regulation. This includes the risks that the Group fails to develop or modify propositions in line with changing government or regulatory policy and market sentiment, or to adequately reflect changes in regulatory disclosure requirements, or to meet new or modified environmental targets set by the regulator or government. The move to a low-carbon economy presents financial risks to the Group. An example is the impact of this transition on the prospects of current and future investment holdings of the Group. The Group's response to the climate crisis, with associated risks and opportunities, is expected to be increasingly scrutinised by the Group's members, customers and the wider public. If the Group's response to the problem is seen as inadequate, it may cause reputational damage to the Group's brand.

Climate change may have potential impacts on the health and mortality of those the Group insures through its life products and, although the Group expects this to be gradual over the very long term, it will require consideration within its pricing and long term liability matching strategies. There is also potential that certain climate change risk factors have not yet been fully priced in by financial markets, with the risk that sudden late government policy action in response to a failure to achieve emission goals could lead to unanticipated and potentially large shifts in asset valuations for industries required to rapidly move to a net zero emissions position. If climate considerations are not effectively integrated in the Group's investment decisions this could adversely impact on the value and the future performance of its investment assets. The Group's business could be adversely affected by this, because where the Group's investment horizons are long-term, the relevant assets are potentially more exposed to the long-term impact of climate change and any future changes in policy.

2.3 ***The Group has investment exposure in the UK and globally and is exposed to business and economic threats, including contagion impacts arising from the UK leaving the EU, known as "Brexit", which could impact its capital position.***

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 UK, being where the Group's earnings are and will be predominantly generated and in which the Group has significant investments.

Uncertainty surrounding the UK's future relationship with the EU may have a negative effect on global economic conditions, financial markets and the Group's business. On 31 January 2020, the UK left the EU ("**Brexit**") and entered into a transition period which ended on 31 December 2020. On 1 January 2021, the EU-UK Trade and Cooperation Agreement ("**TCA**") came into effect and since that date, the UK has been treated by the EU as a third country. The TCA is limited in scope with respect to financial services. The EU has a number of unilateral reserved powers in relation to third countries, which impact trade and market access depending on whether the EU considers the third country's regulations to be equivalent to the EU's, in particular in relation to financial services and data protection. The outcome of the EU's equivalence assessments remain unclear. In February 2021, the European Commission confirmed its determination that the UK's data protection regime is adequate, however this decision is time limited and must be reviewed by June 2025 and is subject to approval by the European Data Protection Board and EU member states. There is also a risk that the European Commission's decision on data adequacy could be subject to legal challenge. The Group's business could be adversely impacted by retaliatory action in the event of non-compliance by either party to the TCA, in particular with respect to the Northern Ireland protocol or changes in EU financial services regulation affecting third countries. Other potential adverse outcomes include restrictions on the Group's European business to delegate asset management activities back to the UK, on use of UK branches of EU insurers for passporting under EU freedom of services and legal challenge invalidating the EU's recognition of the UK's data protection regime as adequate which in the absence of mitigating actions could restrict the transfer of data between the Group's EU operation and the UK. See also the section entitled "*Regulatory Overview*".

Adverse economic conditions arising from Brexit could impact the level of policyholder income, which could in turn lead to adverse levels of persistency, being the extent to which policies remain in force and are not for any reason lapsed, made paid-up, surrendered or transferred prior to maturity or expiry, against those assumed by the Group. Adverse economic conditions could also impact the fair value of the financial instruments held by the Group. Deterioration in economic conditions or a recession would impact new and existing business. The Group invests in the UK and directly and indirectly in other countries inside and outside the EU.

The Group's business comprises investment and non-investment insurance policies. For investment policies, direct investment risks are often borne, in whole or in part, by policyholders in accordance with the terms of the relevant policies. However, a decrease in the value of investments may reduce the fees and charges payable to the Group and fluctuations in investment markets and the general rate of inflation will, directly and indirectly, affect the financial position of the Group including its financial performance, reserving and regulatory capital requirements.

For non-investment insurance policies, the Group bears risk in respect of products where the benefits are not aligned with the investment performance of the assets which support them. Substantial decreases in the value of investments held against insurance policies could lead to available capital within the Group being used to meet obligations to policyholders, as well as reserving and regulatory capital requirements. This could restrict the ability of the Group to release capital to service debt, including the Notes.

The exact impact of market risks faced by the Group is uncertain and difficult to predict and difficult to respond to, in particular, given (i) the unpredictable medium and long-term consequences of Brexit; (ii) difficulties in predicting the rate at which any economic deterioration may occur in connection with Brexit 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. See also "*The Group is exposed to changes to financial markets due to uncertainties arising from the political environment*" below.

2.4 *The Group has substantial exposure to fixed income securities, equity securities and property, and a fall in the prices of such assets could have an adverse impact on the Group.*

The value of investment assets fluctuates, which can impact the capital levels supporting the Group's business. A downturn in equity, debt and fixed income and/or other investment markets will have a negative impact on the Group's capital resources. While investment risk is often borne by or shared with policyholders, fluctuations in investment markets will directly or indirectly affect the reported financial results and the capital position of the Group.

Downturns and volatility in investment markets can have a material adverse effect on the revenues and profits from the Group's unit-linked and asset management businesses. The unit-linked and asset management businesses depend on fees related primarily to the value of assets under management and therefore the revenue of the business would be reduced by declines in investment markets. Asset management revenues could also be reduced as a result of current investors withdrawing funds or reducing their rates of ongoing investment with the Group's asset management business, switching to funds which generate lower income, or as a result of the Group's asset management business failing to attract funds from new investors.

Falls in property prices could have an adverse impact on the Group's investment portfolio and impact the operations, financial results and/or financial condition of the Group. The Group is subject to property price risk mainly due to holdings of investment properties in various funds. Downturns in investment markets may also have a material adverse effect on the Group's regulatory capital surplus as measured under Solvency II by the PRA in the UK and by the Central Bank of Ireland ("**CBI**") in Ireland. Reductions in the regulatory surplus to cover the Solvency Capital Requirement ("**SCR**") of each of the Guarantor and the Group would heighten the risk of cancellation of payments of interest on, or conversion of the Notes. The Group's Capital Management Framework includes a number of possible management actions and responses against this risk. See also "*The Group enters into a significant number of hedging transactions and uses derivative instruments to hedge various risks and through this is exposed to counterparty default risk.*".

LEGAL AND REGULATORY RISKS

3 The Group's businesses are subject to extensive regulatory supervision and therefore regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates.

3.1 ***The Group's business is subject to extensive and ongoing regulatory supervision and to potential PRA, FCA and CBI intervention on industry-wide issues and to other specific investigations, reports and reviews.***

The Group is subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental agencies, including the PRA and the FCA (in the UK) and the CBI (in Ireland). See the section entitled "*Regulatory Overview*" for more details.

The Group will not always be able to predict the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on its business, operations and financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the range of products offered, the terms and conditions applicable to these products (including retrospectively), charge caps, distribution channels, capital requirements, dividends payable by subsidiaries and, consequently, results and financing requirements. The Group's ability to diversify investments, for example into different asset classes to back certain insurance policy liabilities, may also be affected.

The FCA's ambition is to deliver improved customer experience and service delivery, together with more rapid and certain distribution of the estates of with-profits sub-funds. In particular, delivering fair outcomes for customers has been an increasing focus of the FCA's activity in recent years and has led to a number of industry-wide thematic reviews (such as the review of non-advised annuity sales practices), 'past business' reviews and individual enforcement actions against industry participants. In response to a perceived divergence between the sophistication of financial products and financial literacy of customers, the FCA has also increased its emphasis on the need for consumer protection. The FCA has confirmed its plans to implement a new "consumer duty" with the goal of improving how firms in the retail financial services sector serve their customers. The consumer duty will set the standard of care that firms are required to give to their customers in retail financial markets, and will be comprised of an overarching principle, a new set of proposed outcomes and new rules that firms will be required to follow. The intention is that these will create higher and clearer standards of consumer protection across the financial services sector. See the section entitled "*Regulatory Overview*" for more details. Firms will need to review the pricing and other features of products that have already been sold, which may adversely impact future profitability and the costs of administering the business. The failure by a financial services firm to deliver fair outcomes for customers in line with the consumer duty may also lead to enforcement action by the regulator. Assertions by policyholders that their interests have been adversely affected by actions taken by the Group, or that they have otherwise been treated unfairly, may also lead to enforcement actions by the FCA.

In light of wider financial and economic conditions, some of the regulatory authorities are considering, or may in the future consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group conducts its business, interacts with customers and manages its capital.

The Group has undertaken a programme of activity in respect of legacy products, including with-profits fund consolidation, product enhancement, and system consolidation and process simplification. This reduces systems and operational risk in the legacy estate, and improves value for money through greater operational efficiency.

A determination that the Group has failed to comply with applicable regulation, or has not undertaken corrective action as required by a regulator, could have a negative impact on its operations, financial results and/or financial condition or on the Group's relations with current and potential customers and intermediaries. Regulatory action against the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on its operations, financial results and/or financial condition and divert management's attention from the day-to-day management of the business.

3.2 ***The Group operates in regulated markets and is exposed to changes to regulation, policies and interpretations.***

Since 1 January 2016, the Guarantor has been required to carry out regulatory capital calculations under Solvency II. The Guarantor became a Group for Solvency II reporting purposes on 1 January 2019 following regulatory approval from the CBI of its Irish subsidiary RLI DAC. RLI DAC has been required to carry out regulatory capital calculations under Solvency II since 1 January 2019. The regulatory capital calculations are described in "*Description of the Guarantor – Solvency II Surplus*" below.

In 2020, the UK government announced an intention to bring forward a review of certain features of Solvency II to ensure that it is properly tailored to take account of the structural features of the UK insurance sector. The review has considered areas that have been the subject of long-standing discussion while the UK was an EU member state, some of which are also part of a review by the EU. These areas have included, but are not limited to, the risk margin, the matching adjustment, the operation of internal models and reporting requirements for insurers. Following a call for evidence and a quantitative impact study, His Majesty's Treasury ("**HMT**") published a consultation paper on 28 April 2022 in which it proposed the relaxation of some of the capital requirements imposed on UK insurers with some counter-balancing changes also proposed. On 17 November 2022, HMT published its response to the consultation, in which it proposed to legislate as necessary to introduce a number of reforms, including reducing the risk margin for life and non-life insurance business, increasing the risk sensitivity of the current fundamental spread approach and broadening the matching adjustment eligibility criteria. HMT has also proposed further measures which include (among other things) requiring insurers to participate in regular stress testing, requiring senior managers to attest to the sufficiency of their firm's fundamental spread, allowing firms to apply a higher fundamental spread where the standard allowance is insufficient and allowing the PRA to seek assurances on internal credit ratings and to require adjustments where appropriate. HMT has not indicated the timing for the legislation required to implement such reforms. The legislative implementation of these proposals therefore remains uncertain but could have material adverse effects on the Group's business, results, financial condition and prospects.

The supervision of the Guarantor's solo and Group regulatory capital requirement is carried out by the PRA. The supervision of RLI DAC's solo regulatory capital requirement is carried out by the CBI. Any existing regulations may be amended in the future or new regulations may be implemented. See the section entitled "*Regulatory Overview*" for more details. In particular, the regulatory capital and/or reserving position applicable to the Group may be modified by matters which are in the PRA's discretion and which the Guarantor could lose the benefit of: (i) the Solvency II Internal Model; (ii) the Matching Adjustment; (iii) the Volatility Adjustment; and (iv) the application of the transitional measures on technical provisions (the "**TMTP**"); as described below.

- Solvency II Internal Model: Solvency II requires that a separate "solo" SCR is determined for each authorised insurance company. In addition, Solvency II applies a group SCR, which takes into account the regulatory capital requirement of the Group, as well as certain features, strengths and weaknesses of the wider Group. The PRA has approved a group and solo application to use a partial internal model (the "**Solvency II Internal Model**") for the calculation of the consolidated group SCR as well as for the Guarantor as a solo entity. The Guarantor needs to include the risks relating to RLI DAC in its SCR calculation (both solo and group) and, given that it does not use its internal model to do this, the internal model is considered to be 'partial' (rather than 'full').

- Solvency II Matching Adjustment: the Guarantor applies a 'matching adjustment' to certain non-profit deferred and in-payment annuity business within the Royal London Open Fund that meets the regulatory eligibility requirements. The purpose of the Matching Adjustment is to prevent the requirement for market-consistent valuation of assets and liabilities under Solvency II from dis-incentivising insurers from investing in assets that it would otherwise be appropriate for the insurer to hold, taking into account the nature and duration of their insurance liabilities. The Matching Adjustment aims to mitigate 'artificial' balance sheet volatility caused by short-term market volatility in the value of assets by allowing insurers to reflect movements to those asset prices within the market-consistent valuation of the corresponding liabilities. The Guarantor has received permission from the PRA to apply the Matching Adjustment, which reduces the reserving and capital requirements associated with the liabilities. The level of the adjustment is calculated by the Guarantor using the expected yield from eligible assets held to back eligible liabilities, less a margin for defaults and downgrades, using PRA-specified assumptions for the basic risk-free curve and fundamental spreads. The approach is approved by the PRA and may change in future.

- Solvency II Volatility Adjustment: the Guarantor applies a 'volatility adjustment' to its with-profits and non-profit annuity business that is ineligible for the matching adjustment and on Guaranteed Annuity Options ("**GAOs**") on its unit-linked business (the "**Volatility Adjustment**"). The purpose of the Volatility Adjustment is to prevent the requirement for market-consistent valuation of assets and liabilities under Solvency II from dis-incentivising insurers from investing in assets that it would otherwise be appropriate for the insurer to hold, taking into account the nature and duration of their insurance liabilities. The Volatility Adjustment aims to mitigate 'artificial' balance sheet volatility caused by short-term market volatility in the value of assets by allowing insurers to reflect movements to those asset prices within the market-consistent valuation of the corresponding liabilities. The Guarantor has received permission from the PRA to apply the Volatility Adjustment, which reduces the reserving and capital requirements associated with the liabilities. The level of the adjustment is prescribed by the PRA and may change in future.

- The Transitional Measures on Technical Provisions: The implementation of Solvency II increased the regulatory capital requirements and reserving requirements of the Guarantor. However, some of these increases have been partly mitigated by the introduction of the Transitional Measures on Technical 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 Measures on Technical Provisions is to be phased out over a 16-year period which commenced on 1 January 2016. There remains some uncertainty over the pace of run-off within that period, in particular in circumstances where the Transitional Measures on Technical Provisions are required to be recalculated due to a future material change in the risk profile of the Guarantor.

The Group is not aware of any current matters or circumstances that might reasonably be expected to result in the Guarantor on a solo or Group basis losing the benefit of the discretionary matters set out above. However, the loss of such discretionary matters could have a material adverse effect on the regulatory capital position of the Guarantor and the Group. 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 also have a negative impact on the financial condition of the Group.

3.3 ***The Group is exposed to changes to financial and operating markets due to uncertainties arising from the geopolitical environment.***

The geopolitical environment in the jurisdictions in which the Group operates may give rise to changes in law and regulation which impact the viability of the Group's propositions in those markets.

The direct or indirect impact of the current difficult political environment is uncertain; particularly in view of the geopolitical issues in, or emanating from, the Russia-Ukraine conflict, Taiwan and the South China Sea, as well as the ongoing strain in trade relations between the U.S. and China, the ongoing changes as a result of Brexit and the prospect of a future independence referendum in Scotland. There is a strong likelihood that any severe adverse economic effects will directly or indirectly impact the Group; including considerable financial instability, worsening economic conditions, a global recession, a significant fall in property prices and increased currency fluctuations, lower and/or negative growth and higher unemployment and inflation in the UK, Ireland, continental Europe and/or the global economy, at least in the short to medium term. Increased inflation expectations continue to significantly affect the insurance sector. Fluctuations in both asset and liability values can arise from volatility in global capital markets, the economy of the UK and the global economy generally. These may materially affect the Group when a market change has a differing impact on the value of assets and liabilities.

Any such severe adverse economic effects could lead to a reduction in new business levels and an increase in existing business withdrawals and paid up policies, which may adversely impact the ability of the Group to achieve its business plan targets.

Such exposure could also create constraints on the ability of the Group to operate efficiently in the future political environment including as a result of future changes in government or governmental or fiscal policy. There could therefore be material disruption to the Group's operations and other challenges to the business and operations of the Group as a whole which are difficult to predict and protect against in light of these uncertainties. Such disruption may have a negative impact on the financial condition of the Group.

Geopolitical risk increased significantly in early 2022 in relation to the conflict in Ukraine. Acts of terrorism, other acts of war, conflict or hostility or increased international unrest between nations, geopolitical (such as the conflict in Ukraine), actions by governments (such as sanctions and trading restrictions), pandemic (such as COVID-19) or other such events and responses to those events may create economic, social and political uncertainties which could have a material adverse effect on UK and international macro-economic conditions generally, and more specifically on the Group's operations, financial results and/or financial condition in ways that cannot necessarily be predicted.

3.4 ***From time to time changes in tax laws (including their interpretation, amendments to existing tax rates and the introduction of new tax legislation) and/or a failure to comply with tax laws or procedures may adversely impact the Group and may impact upon the decisions of policyholders and potential policyholders.***

The Group faces risks associated with changes in tax law, interpretation of tax law, changes in tax rates and the risk of failure to comply with procedures required by tax authorities or other aspects of tax law. Failure to manage tax risks could lead to an additional tax charge, interest or financial penalties. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

UK taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes and indirect taxes. The Group is not able to predict the occurrence of changes or the impact of changes that may be announced in the future to UK tax legislation on its business. From time to time changes to UK and overseas tax laws (including as a result of changes in the interpretation of such tax laws, amendments to existing tax rates or the introduction of new tax legislation in the UK or overseas) may adversely impact the operations, financial results and/or financial condition of the Group.

There are also specific rules governing the taxation of policyholders. The Group is unable to predict accurately the occurrence of and impact of future changes in tax law on the taxation of life insurance and pension policies in the hands of policyholders. Amendments to existing legislation (in particular, if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may affect the future long-term business and the decisions of policyholders, such as the proposed change to pension limits announced in 2023. The impact of such changes upon the Group might depend on the mix of business in effect at the time of such change and could have a material adverse effect on the Group's operations, financial results and/or financial condition.

The design of life insurance and pension products, is based on the tax legislation in force at that time. However, changes in tax legislation or in the interpretation of tax legislation may, when applied to such products, have a material adverse effect on the financial condition of the relevant long-term business fund of the company in which the business was written and therefore have a material negative impact on policyholders. This, in turn, may impact the future business of the Group if policyholders and potential policyholders choose not to invest in products written by the Group.

3.5 ***Retrospective mis-selling risk could lead to regulatory action.***

Most of the Group's products are distributed via intermediaries. However, before the Group entered the intermediary market in 2001 with the acquisition of Scottish Life, most life and pensions products written by the Group were distributed through employed (or direct) sales forces. The remuneration of those sales forces, which provided a face-to-face financial planning and advisory service, was largely based on the value of the business sold. Products which are sold directly have higher potential exposure to mis-selling claims. The Group has received, and may in the future receive, complaints from certain customers that they received misleading advice from advisers or intermediaries as to which products were most appropriate for their circumstances or that the nature of the products sold to them, or the circumstances in which the products were sold to them, were misrepresented. Such customers have sought, and may in the future seek, redress for such advice. Complaints may also arise in respect of any aspect of the business where customers feel that they have not been treated reasonably or fairly. As well as distribution through intermediaries, the Group also sells directly to customers.

The Group regularly reviews product literature, customer services processes and incoming customer complaints and, having assessed the issue, seeks to take appropriate action. While the Group has invested a considerable amount of time and money in reviewing and assessing its historic sales practices and has in place risk management, legal and compliance procedures to monitor its current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issue already identified will not be more widespread than presently estimated. The negative publicity associated with any new sales-related issue, any regulatory action requiring past business reviews, payments of fines, restitution or compensation and any amounts payable in respect of any such issue could have a material adverse effect on the Group's operations, financial results and/or financial condition.

3.6 ***Changes to accounting standards generally or specifically for insurance companies may have an adverse impact on the Group's business.***

The Guarantor's consolidated financial statements for the financial years ended 31 December 2022 and 2021 have been prepared in accordance with UK GAAP.

Future changes or modification of UK GAAP could impact the reporting of the Group's future results or a retrospective adjustment of reported results. This in turn could have a material impact on the Group's balance sheet and future and previously reported balance sheets. The use of different methodologies and assumptions could have a material adverse effect on the estimated fair value amounts of assets and liabilities, which could affect the Group's business, results, financial condition and prospects.

3.7 ***A possible future further referendum on Scottish Independence could have a material adverse effect on the operations, financial results and/or financial condition of the Group.***

While the Group's insurance entities are incorporated in England and Ireland, a substantial portion of the Group's policyholders and employees are situated in Scotland. Domestic UK political tensions between the UK's regions over the UK's withdrawal from the EU and its future relationship have also increased the risk of a new referendum on independence for Scotland. It is uncertain whether any such referendum will in fact occur, what the outcome would be, and, if a referendum occurred and Scotland voted to leave the UK, what Scotland's future relationship with the rest of the UK and the EU would be, what currency and tax regime it would adopt, whether it would have its own central bank and how it would regulate its financial services sector. The consequences of a potential future referendum on the Scottish economy, the economy of the remainder of the UK and the Group's business are therefore uncertain. However, while such consequences are uncertain, they may have a material negative impact on the Group's financial results, financial condition and/or operations.

3.8 ***The Group could be involved in various legal proceedings and regulatory investigations from time to time and any one or a combination of these could have a material adverse effect on its operations, financial results and/or financial condition.***

The Group, like other financial organisations, may be subject to legal proceedings and regulatory investigations in the normal course of its business from time to time. Such proceedings may relate to aspects of the Group's businesses and operations that are Group specific, or that are common to companies that operate in the Group's markets. Due to the nature of these proceedings, it is not possible for the Group to predict with certainty the outcome of pending legal proceedings or regulatory investigations or potential future legal proceedings or regulatory investigations. Potential liabilities may be covered by insurance, but the Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of insurance coverage may be inadequate. Moreover, even if claims brought against the Group are unsuccessful or without merit, the Group may incur significant expense in defending itself against such claims, which may also be time consuming and could potentially result in reputational damage. Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects. Although the Group believes that it has made adequate provisions for all current/known material costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient.

Additionally, it is possible that a regulator in one of the jurisdictions in which the Group conducts, or has conducted, its business may conduct regulatory investigations, including a review of products previously sold, either as part of an industry-wide review or specific to the Group. The result of such review may be to compensate customers for losses they have incurred as a result of the products they were sold.

This risk factor is without prejudice to the statement relating to legal proceedings and regulatory investigations at paragraph 5 of the section of these Admission Particulars entitled "*General Information*".

3.9 ***Rules regarding the protection of with-profits policyholders generally and guidance relating to the fair treatment of with-profits policyholders by mutual insurance companies may adversely impact the operations of the Group.***

A significant amount of the Group's legacy business includes With-Profits Business and any required changes to the practices, procedures and management of its With-Profits Funds – whether as a result of changes in regulatory requirements, judicial interpretation or industry best practice – may increase the compliance and governance costs of the Group in the future, reduce the profits of the Group which are derived from With-Profits Business and may affect the future strategy and operations of the Group. This, in turn, may have a negative impact on the financial condition and overall results of the Group.

The section entitled "*Regulatory Overview*" below describes the Relevant Rules for With-Profits Business within mutual insurers such as the Guarantor. These regulatory changes, as they affect mutuals, may adversely affect the Guarantor's ability to accept new business, acquire and retain strategic investments and use surplus capital in its long-term fund.

3.10 ***The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies.***

The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear how in future this might affect the Group.

As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. Recovery and resolution reforms for banks in the UK and the EEA now provide regulators with the power, as part of wider resolution tools, to write down indebtedness or to convert that indebtedness to capital (known as "**bail-in**"), as well as other resolution powers. Similar regimes may be introduced in the UK and the EEA for insurance groups. On 22 September 2021, the European Commission published a proposal for an EU Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings. On 20 July 2022, HM Treasury published the Financial Services and Markets Bill (the "**Bill**"). Schedule 12 to the Bill includes proposals to enhance the court's current power to write-down the value of an insurer's contracts and the introduction of a statutory moratorium on certain contractual termination rights in both service contracts and financial contracts. The proposals include a write-down power whereby HM Treasury or the PRA or an insurer, a shareholder of an insurer or a policyholder or other creditor of an insurer (in each case, with PRA consent) can apply to the court for an order to direct that one or more of an insurer's liabilities is reduced on terms specified in the order. The court would be able to make a write-down order if it is satisfied that the insurer is, or is likely to become, unable to pay its debts (within the meaning of the Insolvency Act 1986) and making the order is reasonably likely to lead to a better outcome for the insurer's policyholders and other creditors (taken as a whole) than not making the order. A write-down order may not be made in respect of "excluded liabilities", which would include liabilities such as short-term liabilities, liabilities to pay for goods and services, certain secured liabilities and certain liabilities to employees and pension schemes. On 8 February 2023, the PRA published CP3/23 (Dealing with insurers in financial difficulties), which outlines the PRA's proposed approach and expectations in relation to write-down applications.

In addition, on 26 January 2023, the UK government published a consultation (the "**Consultation**") on a resolution regime for insurers ("**IRR**"), which is separate from the proposals in the Bill. The government proposes to legislate to introduce an IRR which would be similar to the resolution regime for banks under the Banking Act 2009. The Bank of England would be the UK resolution authority for insurers. It is proposed that resolution tools could be triggered if an insurer is failing or likely to fail, if resolution is in the best interests of the public and no other alternative would achieve the same result. The Consultation proposes six resolution tools for insurers: (i) the transfer of some or all of an insurer's business to a private sector purchaser; (ii) the transfer of an insurer's business to a bridge institution pending a formal resolution or sale to the private sector; (iii) bail-in powers which could be applied to restructure, modify, limit or write down an insurer's liabilities, subject to exclusions; (iv) the power to place an insurer under temporary public ownership; (v) the power to transfer assets and liabilities to a balance sheet management vehicle with a view to maximising value through sale or a wind-down and (vi) an insurer administration procedure to allow the Bank of England to exercise the proposed private sector purchaser and bridge institution stabilisation powers whilst ensuring that the insurer's critical functions can continue to operate. The proposals include a 'no creditor worse off' safeguard which is intended to compensate creditors who are worse off as a result of the exercise of a stabilisation power than they would have been in an insolvency. The Consultation also proposes the introduction of ancillary powers including powers to suspend termination rights, impose distribution restrictions and change management, alongside enhanced resolution planning requirements such as a resolvability assessment framework and the introduction of resolution plans which would set out the Bank of England's preferred resolution strategy for the relevant insurer.

The proposed IRR is relevant to all UK-authorised insurers and is therefore likely to be applicable to the Group. Certain elements of the IRR proposals (such as the resolvability assessment framework and the new proposals relating to resolution plans) are expected to be subject to proportionality requirements and therefore the extent to which those aspects of the IRR would apply to the Group is currently uncertain. The Group already maintains a Resolution Plan in support of its crisis preparedness.

If the write-down power is enacted as proposed in the Bill, or if the IRR is enacted as proposed in the Consultation, and if the financial condition of the Guarantor or of any other UK insurer in the Group were to deteriorate, it is possible that a write-down order could be made in respect of liabilities of the Guarantor or any other UK insurer in the Group or that one or more of the resolution tools could be applied in respect of the Guarantor or any other member of the Group or any of their liabilities. The making of a write-down order or a resolution order, or the perception that the making of such an order may be imminent, could have a material adverse effect on the Group's reputation, business and prospects.

The Bill is at an early stage in the legislative process and the timetable for enacting the proposals in the Consultation is not yet clear. It is possible that the proposed terms of the write-down power could change or the circumstances in which it could be exercised could be broadened. It is also possible that the proposals in the Consultation, if and when enacted, could be broadened to include further requirements (for example, a requirement for insurers to maintain minimum levels of eligible liabilities in addition to their existing own funds requirements), which could involve additional costs or compliance burdens for the Group. It therefore remains unclear to what extent any write-down power or IRR could apply to the Group and, consequently, what the implications of such developments would be for the Group and its creditors, including the Noteholders. See also "*Other risks relating to the Notes – The Notes could be subject to write-down if a recovery, resolution or restructuring regime for insurance companies is enacted*".

3.11 ***Changes in the general law may adversely impact the operations, financial results and/or financial condition of the Group.***

The decision of the High Court of England and Wales (the "**High Court**"), dated 16 August 2019, in deciding not to approve the transfer of a portfolio of annuity policies from Prudential Assurance Company Limited ("**PAC**") to Rothesay Life plc ("**Rothesay Life**") created significant uncertainty over the extent to which UK insurers such as the Guarantor could transfer policies to another insurer or in from another insurer to increase or decrease the size of the business and/or exposure to risks of particular types. The High Court gave permission to PAC and Rothesay Life to appeal the decision and a notice of appeal was lodged with the Court of Appeal of England and Wales (the "**Court of Appeal**") on 27 September 2019. The hearing commenced on 24 November 2021 with a judgment from the Court of Appeal handed down on 24 November 2021. The appeal was successful and overturned the original decision of the High Court. However, from the date of the original High Court judgment and prior to the Court of Appeal's decision there was considerable uncertainty as to the impact of the precedent set by the rejected portfolio transfer on the Group and/or the insurance industry as a whole and whether it would make business acquisitions and disposals and consolidation in the industry significantly more difficult to achieve. Notwithstanding the successful appeal, there is still some uncertainty as to whether the Court of Appeal's decision could be distinguished in future cases. This is one example of how changes in the general law could have a material adverse effect on the Group's operations, financial results and/or financial condition. See also "*Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute future acquisitions and disposals, which could have an adverse effect on the Group*".

STRATEGIC RISKS

4 The Group is exposed to risks arising from the fundamental decisions taken concerning the Group's objectives and the risk of failing to achieve these objectives.

4.1 ***The implementation of the Group's strategy may not proceed successfully which may materially adversely affect the Group's operations, financial results and/or financial condition.***

The strategy of the Group, which may be revised from time to time, encompasses organic growth and growth by acquisition in order to increase its scale, efficiency and competitiveness as well as through new initiatives such as brand development and new routes to market.

The implementation of any strategy, changes in strategy, adoption of any new strategy and/or entry into new markets could entail significant changes in the Group's business which may drive higher levels of risk or could adversely affect the operations, financial results and/or financial condition of the Group. The Group may be unable to execute, or may encounter difficulties or delays in successfully executing, its business and strategic goals which are subject to the risks set out herein and other factors that are currently unforeseen and which may be beyond its control. Failure to achieve any or all strategic goals, or the encounter of undue delay or unforeseen costs in implementing such goals, could adversely affect the Group's operations, financial results and/or financial condition, as well as the Group's reputation and standing in the marketplace.

4.2 ***Acquisitions and other corporate transactions may not realise expected benefits and may divert management attention and other resources and involve risks of undisclosed liabilities and integration issues.***

The growth of the Group in recent years, together with internal change programmes has improved the Group's capabilities and the experience of its customers. However, acquisitions made in the past or future acquisitions may or may not realise the profitability or synergies expected at the time of the acquisition.

Growth by acquisition involves risks that could adversely affect the Group's operating results, including the substantial amount of management time and other resources that may be diverted from operations to pursue and complete acquisitions, or risks of undisclosed liabilities or integration or separation issues which could result in a delay or reduction in the benefits derived from the transaction, or an increase in costs significantly in excess of those estimated.

The integration of any future acquisition may not be successful or in line with the Group's expectations and any acquired businesses may fail to achieve, in the near or long term, the financial results projected or the strategic objectives of the relevant acquisition (such as cost savings or synergies) and, once acquired, may continue to divert further management attention and resources or necessitate changes in Group strategy. To the extent that the Group incurs higher costs or achieves lower benefits (including lower diversification benefits) than expected in relation to any future acquisition, its business, operations, financial condition and/or prospects may be materially adversely affected. Further acquisitions, disposals and other corporate transactions and the establishment and development of new businesses and the proposed execution of product enhancements may not reach a successful conclusion. 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, all of which could materially adversely affect the Group's operations, financial results and/or financial condition.

4.3 ***Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute future acquisitions and disposals, which could have an adverse effect on the Group.***

The Group's ability to grow through acquisition 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 or other consents from the FCA and PRA and other relevant regulatory authorities for acquisitions, disposals and insurance business or portfolio transfers (including under Part VII of FSMA) will depend on, amongst other things, the financial condition of the Group, the financial implications of any acquisition by the Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security. There may be circumstances when these consents are not forthcoming or where the UK courts are unwilling to exercise a discretion to sanction transfers of businesses between insurance groups under the UK statutory business transfer regime for authorised firms (on which see "*Changes in the general law may adversely impact the operations, financial results and/or financial condition of the Group*" above). 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. A failure by the Group to execute future acquisitions and disposals could have a material adverse effect on the Group's business, reputation, brand and growth prospects, and presents a risk to the delivery of the Group's overall strategy.

4.4 ***The Group could fail to attract or retain senior management or other key employees.***

The success of the Group's operations is dependent, among other things, on its ability to attract and retain highly qualified professional employees. A failure by the Group to attract and retain directors, senior management, key employees and appropriately qualified personnel could have a material adverse impact on the Group's operations, financial results and/or financial condition, and presents a significant risk to the delivery of the Group's overall strategy.

4.5 ***The Group's businesses are conducted in highly competitive environments and the market for new life assurance and pensions business is likely to intensify. Technological developments are also likely to further increase competition and disruption to markets.***

The market for new life assurance and pensions business is highly competitive and includes a number of product providers with operations that are either comparable to or larger than the Group's operations in their size, scope and brand recognition.

Many of the Group's competitors offer similar products and compete to distribute products through intermediaries. The principal competitive factors in the sale of life assurance and pensions products are price, flexibility, innovation of product design, marketing and distribution arrangements, brand strength and reputation, financial strength ratings, investment returns and customer service including the use of technology to bring products to the market. Competition will likely intensify across all business lines in response to consumer demand, the impact of consolidation, regulatory actions and other factors, with a particular increase in competition in pricing.

Technological advances and the resulting acquisition of very significant numbers of potential insurance customers and their data by technology companies have allowed, and will continue to allow, new competitors to emerge both from within the traditional financial services industry and from outside it, and continued advances in technology may lead to further new entrants from the 'fintech' sector. Across all financial product markets, a full-scale entry by one or more of the very large technology companies remains a potential threat. Parallel to these developments, the distribution model for the industry continues to change rapidly with the expansion of price comparison websites and the many personal financial management tools that are emerging from the 'fintech' sector.

In the asset management sector, growth in passively-run index trackers continues to gain pace, propelled by the U.S. market and the inability of many active strategies consistently to outperform their benchmarks, net of fees. Market access to passive investing, including strategies driven by robo-advice and artificial intelligence, is cheap and increasingly pervasive through passive funds and exchange-traded products and therefore poses a risk to the investment styles of the Group which to date have been characterised predominantly by the active management of funds. As a consequence, there is a risk that this will create downward pressure on fees, negatively impacting the Group's ability to deliver its planned financial results. Competition may also intensify in response to customer demand, further technological changes and the impact of consolidation amongst the Group's competitors.

The ability to generate an appropriate return depends significantly upon the Group's capacity to anticipate and respond appropriately to these competitive pressures and technological advances. To the extent that the Group is not able to do so, this could have a negative impact on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

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

The Group's structure includes a Sub-Fund which is closed to new business. This Sub-Fund should become smaller over time as the policy portfolios run-off. In order to protect with-profits policyholder benefits, 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 balance of fixed and variable costs. This exposure could arise, for example, from management actions, 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 Group costs and take into account the anticipated run-off profile of the Group's business. An inability to adjust these costs could therefore have a material adverse effect on the Group's operations, financial results and/or financial condition. In addition to managing policy costs, the Group is exposed to losses, particularly on historical long-term business as a result of the failure or poor execution of significant operational processes.

4.7 ***The Group's business is concentrated in the UK and exposed to catastrophic events.***

The Group is exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the UK and, to a lesser extent, Ireland. In addition, the Group is exposed to the incidence and severity of catastrophic events in the UK and Ireland, whether natural or man-made. The Group's investment portfolio is especially exposed to changes in UK economic and market conditions. Volatility in the economy and investment markets, risks of low or negative growth rates in the UK and Ireland can adversely affect consumers' disposable income and demand for the Group's products and services, which may adversely impact the Group's operations, financial results and/or financial condition. In addition, factors with a significant impact on the Group such as capital regulations and employment law are governed by different regimes in the UK and Ireland, given Ireland's continuing membership in the EU.

4.8 ***Past performance may not be indicative of future investment performance and future relative investment underperformance may adversely affect the Group's ability to attract new business and retain existing business.***

The Group cannot accurately predict its investment performance as it is dependent on a variety of factors beyond its control. The historical returns achieved by the Group may not provide a meaningful basis upon which to assess the future performance in this regard. A failure by the Group to replicate past performance could adversely affect new business sales and so could have a material adverse effect on the Group's reputation and financial condition.

Various classes of insurance business undertaken by the Group produce returns based on investment income. The Group's asset management business is conducted by RLAM, which is the investment manager of the assets underlying many of the products sold by the Group, as well as for a wide range of institutional and wholesale clients.

As at 31 December 2022, the proportion of RLAM's funds under management between the Group and other external clients were 73 per cent. and 27 per cent., respectively.

Investment performance is a factor in the selection of product provider by distributors and their customers for some product types, for example, personal and group pension products. Poor investment returns in the Group's investment management business, due to either general market conditions or underperformance (relative to competitors or to benchmarks) by funds or accounts that the Group manages, may adversely affect its ability to retain existing assets and to attract new clients or additional assets from existing clients. If RLAM consistently underperforms relative to other fund managers, it could lead to difficulties for the Group in attracting new business and to the early termination, surrender or transfer of existing investment-related business. This could adversely affect the management and incentive fees that the Group earns on assets under management and therefore have a material adverse effect on the Group's operations, financial results and/or financial condition.

Failure to comply with client contractual requirements and/or guidelines could result in damage awards against the Group and its fund management operations and loss of revenues due to client terminations. When clients retain the Group to manage assets on their behalf, the Group must comply with contractual obligations and guidelines agreed with such clients in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to the Group's reputation or in its clients seeking to recover losses, withdrawing their funds (including at short notice) or terminating their contracts, any of which could cause the Group's revenues and earnings to decline and cause a negative impact on the financial results and/or financial condition of the Group.

4.9 ***Demand for the asset classes underlying the funds and portfolios managed by RLAM change over time. Certain funds and portfolios may become less attractive to investors. Conversely, demand for a fund could exceed the available capacity of that fund or portfolio.***

RLAM manages its investments in a range of asset classes, most notably equities, fixed income, multi-asset and real estate, and its investment style and philosophy is to be predominantly an active manager of its funds. Sales of RLAM funds, both from Guarantor policyholders and external clients, are determined by the relative attractiveness to investors of these asset classes and of the particular types of assets that are the focus of the funds, as well as the investment style of the funds.

There is a risk that demand moves against the planned strategic direction of RLAM, which may result in reduced sales and/or increased redemptions from funds which become less attractive to investors. Such developments could have a material adverse effect on the operations, financial results and/or financial condition of the Group.

4.10 ***The Group is dependent on distributor firms for the sale of new business.***

A significant proportion of the Group's new business is derived from independent distributor firms, over whom the Group has no direct influence. Effective distribution is therefore dependent on meeting a number of competitive challenges. The Group's new business propositions must compete with other strong competitor firms in the market place. The Group must continue to be attractive to independent distributor firms by distinguishing itself on factors such as value for money, customer centricity, service excellence and mutuality. Failures in such third party distribution could have a material adverse effect on the operations, financial results and/or financial condition of the Group.

REPUTATIONAL RISKS

5 There are risks that one or more negative events will adversely impact stakeholders' perception of the Group.

5.1 ***The Group is vulnerable to adverse market perception as it operates in a highly regulated industry where it must display a high level of integrity and have the trust and confidence of its customers and of consumers. The Group is also dependent on the strength of its brands, intermediaries and the Group's reputation with customers and agents in the sale of products and services.***

The Group's success and results are, to a certain extent, dependent on the strength of the Group's brands and reputation and its relationship with intermediaries, on whom the Group relies for the distribution of a significant proportion of its insurance products. It operates in an industry where integrity, customer trust, data security and confidence are paramount. See also "*Operational Risks*" below.

The Group may not be able to protect its intellectual property and may be subject to infringement claims by a third party. The Group's primary brand in the UK, "Royal London" is a registered trademark in the UK and elsewhere. The Group relies on a combination of contractual rights, copyright and trademark laws to establish and protect its intellectual property. Although the Group uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate the Group's intellectual property. The loss of intellectual property protection or the inability to secure or enforce the protection of the Group's intellectual property assets could have an adverse effect on the Group's business and its ability to compete.

The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information and inadequate services, the perception of the adequacy of its response to climate change, amongst others (whether or not well founded) could negatively affect its reputation. 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's reputation and brands could also be affected if products or services recommended by the Group (or any intermediaries) do not perform as expected (whether or not the expectations are well founded) or in line with the customers' expectations for the product range.

Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, or the negative publicity resulting from such activities or the accusation by a third party of such activities (whether or not well founded) associated with the Group or a relevant investment sector generally could have a material adverse effect on the Group's operations, financial results and/or financial condition, including: reducing public confidence in the Group, decreasing its ability to retain current policyholders or attract new business, causing material withdrawals of assets under management (including at short notice) and/or adversely affecting the Group's ability to obtain reinsurance or obtain such reinsurance on reasonable pricing and terms.

5.2 ***The Guarantor is rated by rating agencies, and a decline in any of these ratings could affect the Group's standing among brokers, customers, intermediaries and counterparties and could have a material adverse effect on the operations, financial results and/or financial condition of the Group***.

Financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade (or the perceived potential for such a downgrade) of the Guarantor may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. The outcome of such activities may be cash payments requiring the sale of invested assets, including illiquid assets, at a price that may result in investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a decrease in net income. A rating downgrade may also impact sales volumes.

Rating organisations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to general economic conditions and circumstances outside the rated company's control. In view of the uncertainties experienced in many financial institutions, including the Group's competitors in the insurance industry, it is possible that the rating agencies, including S&P and Moody's, will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in their models for maintenance of certain ratings levels. The Guarantor cannot predict what actions rating agencies may take, or what actions may be taken in response to the actions of rating agencies, which could adversely affect the Group's business. As with other companies in the financial services industry, the Guarantor's ratings could be downgraded at any time and with little or no notice by any rating agency. A downgrade may adversely affect relationships with counterparties, including broker-dealers, banks, agents, consultants, wholesalers, intermediaries, and other distributors of products and services, which may negatively impact new sales and adversely affect the ability to compete and, thereby, have a material adverse effect on the Group's operations, financial results and/or financial condition. In addition, the interest rates paid on borrowings of the Group are affected by debt credit ratings and a downgrade could increase the costs of borrowings for the Group or require higher collateral amounts to be posted under derivative contracts, impacting on its operations, financial results and/or financial condition.

5.3 ***The Group is required to comply with certain legal and regulatory requirements in respect of disclosure and financial and prudential reporting.***

The Group is required to comply with certain legal and regulatory requirements in respect of disclosure and dissemination of information, including via its Single Group Solvency and Financial Condition Report, statutory financial statements and disclosures required to be made via a regulatory information service to the regulated market of the London Stock Exchange in connection with its listed debt securities. Financial and prudential reporting risk is the risk of reputational damage, loss of investor confidence and/or financial loss arising from the adoption of inappropriate accounting policies, ineffective controls over financial reporting or over prudential regulatory reporting and financial reporting fraud. Failure to manage disclosure risk or financial and prudential reporting risk could result in breach of law, regulatory censure, and reputational damage leading to loss of investor confidence and/or financial loss to the Group and hence have a negative impact on the financial results and/or financial condition of the Group.

CONDUCT RISKS

6 There are risks that the Group's behaviour will result in poor outcomes for customers.

6.1 ***There is a risk of reductions in earnings and/or asset value through financial or reputational loss from inappropriate or poor customer treatment.***

Customer treatment risk arises as a result of the Group's interaction with customers and represents the risk that the Group achieves outcomes for customers, which are, or could be expected to become, detrimental to them. See also "*The Group operates in regulated markets and is exposed to changes to regulation, policies and interpretations*" above. Additionally, as the Group is reliant on intermediaries to distribute many of its products, there is a risk of the Group being exposed to poor customer treatment from the conduct of such third parties.

Associated risks include poor product design and development, inappropriate literature and promotions, poor customer advice and failings in administration and customer service including customer complaint handling. This could result in regulatory censure and fines, additional costs incurred for back book reviews, and customer redress, as well as weakening customer loyalty and reputational damage, leading to a reduction in earnings for the Group and hence a negative impact on the financial results and/or financial condition of the Group.

6.2 ***Policyholders may attempt to seek redress, or may be awarded compensation, where a product fails to meet expectations.***

Long-term product design, including new business, will take into account, among other things, risks, benefits, charges, expenses, investment return (including bonuses) and taxation. A policyholder or group of policyholders may seek legal redress from the Group where the product fails to meet their reasonable expectations. Given the inherent unpredictability of litigation and evolution of decisions by the Financial Ombudsman Service ("**FOS**") and the FCA, it is possible that an adverse outcome in some matters could result in penalties being imposed or compensation awarded which in aggregate and, taken together with the costs of defending any action or addressing regulatory concerns, could have a negative impact on the financial results and/or financial condition of the Group.

INSURANCE RISKS

7 Insurance risk within the Group arises primarily in relation to its life assurance and pension products, including fluctuations in the Group's own funds or profits and in the timing, frequency and severity of insured events relative to those expected when the risk was originally accepted.

The Group defines the following categories of Insurance Risk, summarised briefly below and then in more detail in the remainder of this section:

- Mortality and Morbidity – the risks that policyholders respectively die sooner than expected and make morbidity-related claims more frequently or for a longer period of time;
- Longevity – the risk that policymakers live longer than expected resulting in additional claim outgo;
- Persistency, including option take-up – the risk that the rate of non-contractual policy exits, conversion to paid-up status or option take-up, which is dominated by GAOs, is different to expectation, increasing liabilities; and
- Expense – the risk that the expenses associated with administering the Group's life assurance and pensions business and its investments is higher than expected.

When calculating best estimate liabilities as part of the Solvency II Technical Provisions calculations and pricing new business, the Group is required to make product-specific insurance-related long-term assumptions, taking into account the Group's most recent experience. The risks summarised above and described further in sections 7.1 to 7.4 below capture potential adverse insurance-related impacts that could lead to changes in long-term assumptions and consequential increases in future technical provisions. These events could also lead to a strengthening of the SCR by reflecting greater uncertainty in the risk distribution for these insurance-related assumptions.

7.1 ***The Group has exposure to mortality and morbidity risk.***

The Group has an exposure to mortality risk (being the risk related to the increased frequency of deaths) and morbidity risk (being the risk related to the increased prevalence of a disease and/or increased recovery rates from a disease) from its insurance protection business. These increases could arise over the remaining term of the business in-force, referred to as a "level" event or as a sudden large, but temporary, one-off event, referred to as a "catastrophe" event.

These risks could be aggravated by any potential failure in underwriting processes and standards designed to identify sub-standard lives at the new business stage or the failure of reinsurance cover to adequately cover such risk. In addition, a catastrophe event, such as another pandemic or other event that causes a large number of deaths, could have an adverse impact on the Group's operations, financial results and/or financial condition in any period.

Uncertainty around mortality and morbidity risk has increased over the last few years through the pandemic. While the short-term impacts of COVID-19 on mortality experience have largely dissipated, it is likely that uncertainty around long term mortality and morbidity will remain for some time. The Group's ability to write new business could also be adversely affected. The Group would also be exposed to reinsurer counterparty risks in such an eventuality.

7.2 ***The Group has exposure to longevity risk.***

The Group has exposure to longevity risk through deferred and in-payment business, policies with GAOs and its defined benefit pension schemes' liabilities. Longevity risk is the risk attached to increasing life expectancy of annuitants which can eventually translate into annuities being paid for longer than expected with the risk being measured by separately considering changes in underlying rates of mortality, referred to as "level" risks, and future mortality improvement rates, referred to as "trend" risks. The risk is partially mitigated through the use of collateralised third party reinsurance arrangements on certain blocks of deferred and in-payment annuities.

Longevity-related statistics are monitored in detail, compared with emerging internal experience and industry trends, and the results are used to inform both the reserving and pricing of annuities. Inevitably, there remains uncertainty about the development of future longevity and the future availability of techniques (such as reinsurance and swaps) to mitigate that risk. It is likely that uncertainty will remain in the development of future longevity that cannot be mitigated, with this uncertainty being exacerbated by COVID-19 both in terms of short-term and long-term life expectancies.

Further, should there be significant advances in medical treatment for certain health conditions the Group could be exposed to significant increases in liabilities under those liabilities exposed to longevity risk which could adversely affect its operations, financial results and/or financial condition.

7.3 ***The Group has exposure to persistency risk, including option take-up risk.***

Persistency risk is the risk of policy lapse, transfer, withdrawal or ceasing payment of future premiums at different rates than expected. This risk is measured by separately considering changes to the best estimate rates that apply over the lifetime of the business, referred to as "level" risk, and a sudden large, but temporary one-off event causing a significant persistency event, referred to as a "catastrophe" risk. A similar, but separately monitored, risk exists in respect of actual (against expected) take-up of options by policyholders, of which the most material is in respect of GAOs.

Factors that can impact this level risk include employee turnover in Workplace Pension schemes, changes in lifestyle of customers (in particular Pensions and Protection products), changes in investment performance of the assets underlying the contract, regulatory or tax changes that make alternative products more attractive, customer perceptions of the insurance industry in general and the Group in particular, and the general economic environment (with higher lapse rates expected in recessionary times). Factors impacting persistency catastrophe risk include reputational risks that could cause damage to the Group's brand and reputation in the Insurance market and changes in competitive pressures leading to significant changes in paid-up rates Factors impacting option take-up risk include changes in the regulatory and financial environment that increase the proportion of policies with a GAO taken as an annuity.

7.4 ***The Group has exposure to expense risk***

The Group has exposure to expense risk both through the ongoing administration of its life insurance and pensions products and the investment of its assets. The risk covers both potential increases to the per policy unit cost attributed to individual lines of business, referred to as "level" risk, and the rate of future inflation (in excess of macroeconomic inflation), referred to as "trend" risk. Section 4.6 above gives further details of the potential factors that could cause this expense risk. In addition, there may be higher levels of future corporate, business development and strategic costs.

7.5 ***The Group may face losses from short-term deviations in Insurance risk-related experience from best estimate assumptions***

In addition, short-term differences in experience from long-term assumptions can also arise for insurance risks, without requiring changes in these long-term assumptions. This would lead to reduced profitability on both in-force business and future new business sales.

OPERATIONAL RISKS

8 The Group is subject to risks from issues arising from its people, its processes and its systems, which also encompasses risks from external events such as disasters, cybercrime and other disruptions.

8.1 ***Weaknesses or failures in the Group's internal processes, systems, security or outsourcing could materially affect the Group's operations, financial results and/or financial condition and could result in reputational damage to the Group.***

The Group uses computers to store, retrieve, evaluate and utilise customer, employee and company data and information. The Group's businesses are highly dependent on its ability to process and report accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, including, without limitation, providing customer support, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, managing the Group's investment portfolio, and producing reports required by law and regulation. Furthermore, the long-term nature of the Group's business means that accurate records have to be maintained for significant periods. While the Group has policies, procedures, automation and backup plans designed to prevent or limit the effect of failure, the Group's computer systems may be vulnerable to disruptions or breaches as a result of human error, natural disasters, man-made disasters, criminal activity or other events beyond the Group's control. The failure of the Group's computer systems for any reason could disrupt the Group's operations, result in the loss of customer data and may adversely affect the Group's operations, financial results and/or financial condition.

Operational risks, through inadequate or failed internal processes, systems (including financial and capital reporting and risk monitoring processes) or security or from people-related or external events, including the risk of fraud and other criminal acts carried out against the Group, are present in the Group's businesses. Any weakness in these internal processes, systems or security could have an adverse effect on the Group's results, reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period. Where such services are outsourced to third party providers, a failure in the processes, systems or security of such providers (including as a result of human error) will have an adverse effect on the Group's operations. Although the Group continues to monitor and take steps to upgrade systems and processes to reduce these operational risks, the Group cannot anticipate the details or timing of all possible operational and systems failures which may adversely impact its business.

Certain parts of the business of the Group are heavily dependent on third parties to provide services such as custody arrangements, processing of customer data and other administrative services. Any services failure, defaults or computer system failure or security breach relating to such third party service providers may disrupt the business, damage the reputation of the Group and adversely affect the Group's operations, financial results and/or financial condition.

If the Group does not effectively develop and implement its outsourcing strategy or third party providers do not perform as anticipated, the Group may incur increased costs or liabilities and a loss of business, which could have a material adverse effect on the Group's operations, financial results, and/or financial condition or prevent it from meeting its regulatory obligations.

Cyber risks such as cyber security breaches, malicious software, ransomware and denial of service attacks have become increasingly sophisticated resulting in service disruption or customer data loss. A failure to develop, deliver or maintain effective Information Technology ("**IT**") solutions could have a material adverse impact on customer service. In addition, any breach in security of the Group's systems, could disrupt its business, result in the disclosure of confidential information, including the personal data of customers, and create significant financial, legal, reputational and regulatory exposure for the Group. See also "*Failure to maintain adequately and protect customer and employee information could have a material adverse effect on the Group*" below. The increasing sophistication of cybercriminals and the importance of digital interaction with the Group's customers means the inherent risk of failure of its operations due to the malicious acts of third parties is expected to increase. The resilience of the Group's IT is of paramount importance to the Group. Accordingly, significant investment has been made in IT infrastructure and systems to ensure its resilience and to enhance the services it supports. The Group continues to invest in IT and information security control environments including user access management and records management to address evolving threats, and maintains contingency plans for a range of Group-specific and industry-wide IT and breach of security scenarios. Although the Group allocates significant resource to maintaining and regularly updating its processes and systems and uses tools that are designed to protect the security of the Group's systems, software, networks and other technology assets, there is no assurance that all of the Group's measures will provide absolute security. Any damage to the Group's reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in Group systems, processes or security could have a material adverse effect on the Group's operations, financial results and/or financial condition.

The Group's businesses are also exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of their employees. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect this activity may not always be effective.

8.2 ***The Group has a number of significant change programmes underway across its businesses. If the Group is unable to manage the level of change efficiently and effectively there is a risk of a material adverse effect on the Group's operations, financial results and/or financial condition.***

The Group has completed a number of significant internal change programmes to continuously improve its capabilities and the experience of its customers, and may undertake other significant change programmes in the future. During periods of change, there is a risk that the Group's risk management and controls may be weakened or that the Group is unable to manage the level of change efficiently and effectively, which could have a material adverse effect on the Group's operations, financial results and/or financial condition. The Group also faces risk that its continued growth plans, combined with the significant amount of external changes in markets, regulation and legislation, may result in possible future inefficiencies or ineffective organisational delivery, operational loss and reputational damage which in turn may adversely affect the Group's operations, financial results and/or financial condition.

8.3 ***Errors may affect the calculation of unit prices, deduction of charges, premiums charged or bonuses declared, which may require the Group to compensate customers retrospectively. In addition, volatile market conditions may increase the exposure of the Group arising from a failure to process instructions on a timely basis.***

A significant proportion of the Group's product sales are unit-linked contracts, where product benefits are linked to the prices of underlying unit funds. Errors may affect the calculation of unit prices, deduction of charges, premiums charged or bonuses declared which may require it to compensate customers retrospectively. Whilst comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds, which may be due to human error in data entry, IT-related issues or other causes. It is also possible that policy charges which are deducted from these contracts are taken incorrectly, or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Additionally, a delay in the processing of instruction to purchase and sell unit-linked investments exposes the Group to investment risk. This is heightened in periods of market volatility. These risks are also faced by the Group's asset management and administration businesses.

The benefits payable under with-profits contracts depend on the bonuses added to policies throughout their lifetime and at maturity. There is a risk of error in the process of determining the appropriate bonus rates to be applied and in the updating of the systems to apply these bonuses to the relevant policies. These errors may arise as a result of human error in data entry, data-related errors, IT-related issues or other causes.

Certain protection contracts have provisions for the premiums to be increased in line with general experience. There is a risk that the revised premiums are calculated incorrectly due to failures in the process or that the methodology for calculating the revised premiums are challenged by policyholders or regulators and changed retrospectively.

The Group undertakes a number of complex processes which are required by tax regulations for certain types of life and pension products and customers. There is a risk that failures in these processes lead to penalties being charged by tax authorities.

Although controls are in place to mitigate these risks these may not be effective to eliminate the risk of errors, and such errors could give rise to future liabilities. Payments due to errors or compensation may adversely impact the Group's profits.

8.4 ***Failure to maintain adequately and protect customer and employee information could have a material adverse effect on the Group.***

The Group collects and processes personal data (including name, address, age, bank and credit card details and other personal data, including certain sensitive data) from its customers, third party claimants, business contacts and employees as part of the operation of its business, and therefore it must comply with applicable data protection and privacy laws. Those are held in accordance with the General Data Protection Regulation (EU) 2016/679 ("**GDPR**"), which increased the territorial scope of the existing EU data protection framework and now imposes stronger sanctions on those who breach it, amongst other things. Despite the controls put in place, the risk remains that this data could be lost and/or misused as a result of an intentional or unintentional act by parties internal or external to the Group, and should this occur the penalties for such a breach under the new regime are much more substantial than previously. Additionally, there is a risk that data collected by the Group and its appointed third parties is not processed in accordance with notifications made to both data subjects and regulators. This could potentially lead to regulatory censure, fines, the need to compensate customers, the cost of remediation and other financial costs, damages to the Group's brands and reputation, as well as loss of new or repeat business, any of which could have a material adverse effect on the Group's operations, financial results and/or financial condition.

8.5 ***The Group may be required to make significant further contribution to its pension schemes if the value of pension fund assets is not sufficient to cover potential liabilities. An increase in the Group's***

funding commitment for its defined benefit pension schemes may impact on its operations, financial results and/or financial condition.

The Group maintains defined benefit pension schemes (for further details, see the section entitled "*Description of the Guarantor — Defined benefit pension schemes*"). There are three defined benefit schemes which are closed to new members. These schemes are funded by the Group on a funding basis, and each of the three schemes had a funding surplus at their latest valuation dates. It is not possible to predict whether a deficit will arise in any of the schemes in the future. Should a funding deficit arise, the Group will be required to provide additional funding, increasing funding costs, which could adversely impact the Group's operations, financial results and/or financial condition. In addition, pension risks are required to be taken into account in the calculation of the Group's capital.

There are inherent funding risks associated with the defined benefit schemes since the liabilities of a defined benefit pension scheme, which are long-term in nature, may at any time exceed the value of that scheme's assets. The factors that affect the scheme's position include: poor performance of pension fund investments; greater life expectancy than assumed; adverse changes in interest rates or inflation or discount rates; and other events occurring that increase the costs of past service benefits over the amounts predicted in the actuarial assumptions. In the short term, the funding position is inherently volatile due to movements in the market value of assets. Should a funding deficit arise, where necessary, appropriate actions, including possible further contributions from the Group, will be agreed with the scheme trustees. This may include a plan to fund the deficit over a period of years.

UK pension schemes are subject to statutory requirements with regards to funding and other matters relating to the administration of the schemes. Compliance with these requirements is subject to regular review. A determination that the Group has failed to comply with applicable regulations could have an adverse impact on the Group's operations or its relationship with current and potential contributors and employees, and adverse publicity. In addition, the UK Pensions Regulator has powers to require members of the Group and its "connected" or "associated" persons to provide additional contributions or other forms of financial support in certain circumstances. Any such requests of the regulator may adversely affect the capital position of the Group by the amount of the required additional contributions.

8.6 ***Principles and Practices of Financial Management ("PPFM") lead to operational complexity and associated restrictions on assets within the Group.***

In relation to the Group's With-Profits Businesses including the Royal London Open Fund and its Closed Sub-Fund, the basis on which the business of the Group is run is governed by the terms of the relevant PPFMs applicable to that fund. As a result of the Group's historical acquisitions and business transfers, there are currently four PPFMs in place governing the various With-Profits Funds of the Group. The fact that multiple sets of PPFMs are in place in respect of the Group's With-Profits Funds, each of which may contain bespoke terms, leads to operational complexity in the operation of the Group's With-Profits Businesses. Bespoke terms contained within these sets of PPFMs will need to be taken into account in the event that the Group needs to take management actions to protect the financial position of the relevant With-Profits Fund and such management actions will need to be consistent with them. Ultimately, if management actions are restricted this could result in the need for significant capital support from the Royal London Open Fund to be made available, which could adversely affect the operations, financial results and/or financial condition of the Group.

8.7 ***Insurance fraud claims may adversely affect the Group's financial results.***

Fraudulent insurance claims may be made from time to time which the Group is unable to detect or unable to detect in a timely fashion, such as the payment of annuities in respect of persons who are deceased. The volume, value and frequency of fraudulent claims may increase from time to time for various reasons and if not detected and inadvertently paid, can impact on anticipated claims volumes and matching reserves.

Life insurance fraud in the form of false death claims, non-reporting of death for an annuity in payment, policy takeover, pension liberation fraud (also known as pension busting), intermediary commission fraud and exaggerated protection claims expose the Group to a greater risk of significant losses in respect of the individual cases and a heightened risk of regulatory censure in handling such cases.

Such fraud may result in adverse effects on the operations, financial results and/or financial condition of the Group.

(B) RISKS RELATING TO THE NOTES

9 Risks related to the Structure of the Notes

9.1 *Payment Obligations and Subordination*

The Issuer's payment obligations under the Notes will be direct and unsecured and rank *pari passu* and without any preference among themselves. The rights and claims of Noteholders in any Issuer Winding-Up are as described in the Trust Deed and Condition 3.

The Guarantor's payment obligations in relation to the Notes will be direct, unsecured and subordinated (i) on a winding-up of the Guarantor and (ii) in the event that an administrator of the Guarantor is appointed and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior in priority to the claims of Senior Creditors. See further Condition 4.

The Guarantor is the parent company of the Insurance Group as well as being a regulated insurance company. Certain operations of the Insurance Group are conducted by the operating subsidiaries of the Guarantor. 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 the Guarantor) to Noteholders in respect of any payment obligations of the Guarantor under the Notes or the Guarantee. Further, the Guarantor has entered into various fixed and floating charges, including those supported by collateral framework arrangements with RLI DAC, which may further limit the cash available to meet the unsecured payment obligations of the Guarantor under the Notes.

As the Guarantee in respect of the Notes ranks amongst the most subordinated obligations of the Guarantor, if a Guarantor Winding-Up occurs, the assets of the Guarantor would first be applied to meeting its obligations in respect of almost all other liabilities of the Guarantor in priority to paying any claims of Noteholders in respect of their Notes, and accordingly there may be insufficient assets remaining to pay claims in respect of the Notes, in whole or in part, following the satisfaction of the claims of policyholders and more senior-ranking creditors of the Guarantor. In addition, the Issuer or the Guarantor may issue, incur or guarantee further liabilities which could rank in priority to, or *pari passu* with, the Notes or the Guarantee, which could further reduce the assets (if any) available to Noteholders in the event of a winding up of the Guarantor (see "*No limitation on Issuer or Guarantor issuing further securities or incurring further indebtedness*" below). Accordingly, in an insolvent winding-up of the Guarantor, Noteholders are likely to lose all or substantially all of their investment in their Notes.

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

Although the Notes may potentially pay a higher rate of interest (subject always to the Issuer's right and, in certain circumstances, obligation to cancel interest payments under the Conditions) than comparable notes which are not subject to a subordinated guarantee, there is a significant risk that an investor in the Notes will lose all or some of its investment should the Issuer and/or the Guarantor become insolvent.

Further, by acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived and to have directed and authorised the Trustee on its behalf to have waived any right of set-off or counterclaim that such Noteholder or the Trustee might otherwise have against the Issuer or the Guarantor in respect of or arising under the Notes or the Trust Deed (including the Guarantee) whether prior to or in liquidation, winding-up or administration.

See also "*Risks relating to the structure of the Notes – Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes*".

9.2 *Payments by the Issuer and the Guarantor are conditional upon the satisfaction of solvency requirements*

Other than (A) in circumstances where a Guarantor Winding-Up has occurred or is occurring or (B) in respect of a claim against the Issuer pursuant to Condition 3(b)(iii) (but subject, in each case, to Condition 3(b)(v)), (i) all payments by the Issuer under or arising from the Notes or the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be due or payable by the Issuer under or arising from the Notes or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter and (ii) all payments by Guarantor under or arising from the Notes or the Trust Deed are conditional upon the Guarantor being solvent at the time for payment by the Guarantor and no amount shall be payable by the Guarantor under or arising from the Notes and the Trust Deed (including, without limitation, the Guarantee) unless and until such time as the Guarantor, could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**"). For these purposes, the Issuer will be "solvent" if it is able to pay its debts owed to Issuer Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities, and the Guarantor 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. If any payment of interest and/or principal (or Guaranteed Amounts in respect thereof) cannot be made by the Issuer or, as appropriate, the Guarantor, in compliance with the Solvency Condition, payment of such amounts will be cancelled in full pursuant to Condition 6(b) (*Mandatory Cancellation of Interest*), and such cancellation will not constitute a default under the Notes for any purpose.

Any actual or anticipated cancellation of interest payments and/or Guaranteed Amounts in respect thereof will likely have an adverse effect on the market price of the Notes. In addition, as a result of the cancellation of interest provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Guarantor's financial condition.

9.3 *Interest payments under the Notes and the Guarantee are discretionary and under certain circumstances must be cancelled*

Interest payments on the Notes and payment of Guaranteed Amounts in respect thereof are discretionary and the Issuer may elect to cancel payments of interest on the Notes, and the Guarantor may elect to cancel payments of Guaranteed Amounts in respect thereof, for any reason and may be most likely to do so when the Guarantor or the Group is in financial distress or directed to do so by the PRA. In addition, the Issuer is required to cancel any payment of interest on the Notes, and the Guarantor is required to cancel any payment of Guaranteed Amounts in respect thereof, in each case, in full pursuant to Condition 6(b) (*Mandatory Cancellation of Interest*) and the Issuer shall not have any obligation to make such interest payment, and the Guarantor shall not have any obligation to pay such Guaranteed Amounts, if, *inter alia*, such payment cannot be made in compliance with the Solvency Condition, there is (or would be) non-compliance with the Solvency Capital Requirement or the Minimum Capital Requirement at the time for payment of such Interest Payment, or where the Interest Payment would, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not (and, if made by the Guarantor, would not) reduce the Guarantor's Available Funds and any payments already accounted for by way of deduction in determining the Guarantor's Available Funds) since the end of the latest financial year exceed the amount of the Guarantor's Available Funds as at the Interest Payment Date in respect of such Interest Payment, or if the Issuer or the Guarantor is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment or Guaranteed Amount, as the case may be. As at 31 December 2022, the Guarantor's Available Funds were £2,888 million. See also "*The level of the Guarantor's Available Funds is affected by a number of factors, and insufficient Available Funds will restrict the Issuer and the Guarantor's ability to make interest payments on the Notes*" below.

The cancellation of interest (and Guaranteed Amounts in respect of interest) as described above does not constitute a default under the Notes or the Guarantee for any purpose. Any interest and Guaranteed Amount in respect of interest so cancelled shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto.

For the avoidance of doubt, if the Issuer elects or is required to cancel any Interest Payment (in whole or in part), no Guaranteed Amount will arise or be payable by the Guarantor in respect of such Interest Payment (or, as the case may be, relevant part thereof) and the Guarantor shall not be required to make any election or take any other action in order to give effect to such cancellation in such circumstances.

At the time of publication of these Admission Particulars, it is the intention of the Guarantor's directors (the "**Directors**") to take into account the relative ranking in the Guarantor's capital structure of the ProfitShare Arrangements and the Notes whenever exercising its discretion to decide to allocate a ProfitShare or to cancel interest on the Notes. However, the Directors may depart from this policy at any time in their sole discretion.

Any actual or anticipated cancellation of interest payments and Guaranteed Amounts in respect of interest will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provision of the Notes and the provisions regarding the cancellation of Guaranteed Amounts under the Guarantee, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Guarantor's financial condition.

9.4 *The level of the Guarantor's Available Funds is affected by a number of factors, and insufficient Available Funds will restrict the Issuer and the Guarantor's ability to make interest payments on the Notes*

The level of the Guarantor's Available Funds is affected by a number of factors, principally the performance and profitability of the Guarantor's insurance business and its ability to receive funds, directly or indirectly, from operating subsidiaries in a manner which creates Available Funds. Consequently, the Guarantor's future Available Funds, and therefore the Guarantor's ability to make interest payments on the Notes, are a function of the Guarantor's existing Available Funds, its future performance and profitability, future Insurance Group profitability and performance and the ability to distribute or dividend profits from the Guarantor's operating subsidiaries up the Insurance Group structure to the Guarantor. In addition, the Guarantor's Available Funds (or the amounts which may otherwise have been available for increasing its Available Funds) will also be reduced by the servicing of other debt instruments and the allocation of surplus to the Guarantor's policyholders.

Investors should also be aware that the amount of the Guarantor's Available Funds will, subject as otherwise defined or provided for with respect to available distributable items from time to time in the Relevant Rules, be determined in accordance with the provisions of section 830 and 833A of the Companies Act 2006. Section 833A requires a calculation to be made pursuant to the formula set out therein, and it may not be possible at any particular time for investors accurately to calculate or estimate the amount of the Guarantor's Available Funds in accordance with such formula. Investors should therefore note that they may have less visibility as to the level of the Guarantor's Available Funds than they might have as to the level of the distributable items of some other issuers of restricted tier 1 own funds instruments that are not within scope of the provisions of section 833A.

9.5 ***Upon the occurrence of a Trigger Event, Noteholders will lose all or substantially all of the value of their investment in the Notes***

The Notes are being issued for capital adequacy-related regulatory purposes with the intention and purpose of being eligible as restricted tier 1 capital of the Guarantor and the Insurance Group under Solvency II. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions.

One of these relates to the ability of the liability represented by the Notes to be permanently released in consideration of the issue of Conversion Shares upon a Trigger Event occurring. A Trigger Event will occur if the Issuer determines at any time that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Under the terms of the Notes, unless the PRA has waived Automatic Cancellation as contemplated by Condition 7 (*Automatic Conversion*), if at any time a Trigger Event occurs, all accrued and unpaid interest will be cancelled irrevocably and (other than in exceptional circumstances further specified in the Conditions) all of the Issuer's obligations under the Notes and all obligations of the Guarantor to pay Guaranteed Amounts pursuant to the Guarantee shall, without any further action required on the part of the Issuer, the Guarantor or the Trustee, be irrevocably and automatically released and discharged and the Notes will be cancelled in consideration of the issue of Conversion Shares. In such circumstances, the Noteholders will have no rights against the Issuer or the Guarantor with respect to repayment of the principal amount of the Notes or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Notes, the Guarantee and/or the Trust Deed, whether in an Issuer Winding-Up or Guarantor Winding-Up or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Notes at any time.

Unlike other issuances of contingent convertible restricted tier 1 securities where the shares delivered upon conversion are shares in an operating company or in a holding company which owns all or substantially all of the operating companies in an insurance group, and where accordingly such conversion shares may be expected to have a realisable market value following a conversion, the Conversion Shares which would be delivered on Automatic Conversion of the Notes would be shares in the capital of the Issuer, which is a finance vehicle which has no capital or assets other than its initial paid-in share capital of £1,000,000 and its right to receive sums due to it from the Guarantor under the Internal Loan. As the amounts due under the Internal Loan would automatically be written down to zero upon the occurrence of an Automatic Conversion of the Notes, and as the Conversion Shares will represent no more than 25 per cent. of the total ordinary share capital of the Issuer, the implied value of all of the Conversion Shares which would be delivered upon Automatic Conversion will be limited to £250,000 (before taxes and expenses), and there is no prospect of a subsequent increase in the value of the Conversion Shares given that the Issuer is a finance vehicle with no business operations or other assets.

Accordingly, if a Trigger Event occurs, Noteholders will lose all or part (which is likely to be substantially all) of the value of their investment in the Notes. Following an Automatic Conversion, Noteholders will receive only the Conversion Shares and the realisable value of any Conversion Shares received will be significantly less than the Conversion Price.

The Trigger Event may occur while the Guarantor and the Insurance Group remain solvent and continue to conduct their business, and accordingly the Automatic Conversion may occur irrespective of whether the Guarantor would otherwise have sufficient assets available to settle the claims of the Noteholders or other securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. Following an Automatic Conversion, Noteholders will have no claim for the principal amount of, or any accrued and unpaid interest in respect of, the Notes, whether in the event of an Issuer Winding-Up and/or Guarantor Winding-Up or otherwise, even though other securities that rank equally in priority may continue to have such a claim and the Guarantor may have sufficient assets as would have enabled it or the Issuer to satisfy the claims of Noteholders and of such other subordinated creditors in whole or in part.

Furthermore, investors should note that if a Trigger Event occurs following the assumption by the Guarantor or any Subsidiary of the Guarantor of the Issuer's obligations in respect of the Notes by reason of the fact that an Issuer Winding-Up has occurred at any time prior to the occurrence of a Trigger Event when a Guarantor Winding-Up has not also occurred or is not occurring, as set out in Condition 4(d), (i) if the Guarantor has assumed the Issuer's obligations in respect of the Notes, no Conversion Shares shall be delivered and instead the principal amount of the Notes shall be written down to zero, with the effect that Noteholders would lose their entire investment in the Notes; or (ii) if another Subsidiary has assumed the Issuer's obligations under the Notes, the Notes will be converted into ordinary shares in the capital of such Subsidiary, in which case it is likely that any recovery of Noteholders (if any) following such Trigger Event would be no more favourable, and may be significantly less favourable, compared to any amounts which may be recoverable by them upon an Automatic Conversion of the Notes into Conversion Shares of the Issuer.

9.6 ***The occurrence of the Trigger Event may depend on factors outside of the Issuer's and/or the Guarantor's control***

A Trigger Event shall occur if at any time that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

The occurrence of a Trigger Event and, therefore, Automatic Conversion is to some extent unpredictable and depends on a number of factors, some of which may be outside of the Issuer's and/or the Guarantor's control, including actions that each of the Issuer and/or the Guarantor is required to take at the direction of the PRA and regulatory changes. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including other subordinated debt securities guaranteed by the Guarantor. Any indication or perceived indication that the Guarantor or the Insurance Group may be at risk of failing to meet its Solvency Capital Requirement or Minimum Capital Requirement may have an adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily (if at all) or at prices that will provide them with a return on their original investment (and may reflect a loss of some or substantially all of their original investment) or a yield comparable to other types of subordinated securities, including other subordinated debt securities guaranteed by the Guarantor.

Investors will not be able to monitor whether or not the Guarantor or the Insurance Group will meet their respective Solvency Capital Requirements or Minimum Capital Requirements on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

9.7 ***Changes to Solvency II may increase the risk of the occurrence of a Trigger Event, cancellation of interest payments, suspension of any redemption of the Notes or the occurrence of a Capital Disqualification Event***

Solvency II requirements adopted in the United Kingdom, whether as a result of further changes to Solvency II or changes to the way in which the PRA interprets and applies these requirements to the United Kingdom insurance industry, may change. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Guarantor's or the Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement, and such changes may make the Guarantor's or the Insurance Group's regulatory capital requirements more onerous. Such changes that may occur in the application of Solvency II in the United Kingdom subsequent to the date of these Admission Particulars and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Guarantor's or the Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement and thus increase the risk of cancellation of interest payments, the suspension of any redemption of the Notes or a Trigger Event occurring, as a result of which a Noteholder could lose all or part (which could be substantially all) of the value of its investment in the Notes. Further, such changes may increase the risk of the occurrence of a Capital Disqualification Event (and increase the risk of redemption of the Notes by the Issuer and/or the Guarantor).

9.8 ***The Conversion Price is fixed and will be subject to adjustment only in response to a limited number of events***

As the Conversion Shares which may be delivered upon an Automatic Conversion are the shares of the Issuer, which is a special purpose vehicle established for the purpose of issuing the Notes and to provide finance to the Guarantor, the value of any such Conversion Shares will be limited, and as a result Noteholders are likely to lose substantially all of the value of their investment upon any such Automatic Conversion. The Conversion Shares are not listed or traded and there is no trading market for them, which may make it difficult for holders of Conversion Shares to sell their interests therein.

Furthermore, as the Issuer is a special purpose vehicle with no business of its own, there is no prospect for the value of a Conversion Shares to increase materially following the occurrence of an Automatic

Conversion. Noteholders will not have any recourse to the Guarantor upon an Automatic Conversion.

The initial Conversion Price is fixed as at the Issue Date and will only be adjusted if a subdivision, redesignation, consolidation or reclassification of any ordinary shares of the Issuer occurs (each an "**Adjustment Event**"). The initial Conversion Price is £1,000 per Conversion Share, which is significantly higher than the value of a Conversion Share at the date of these Admission Particulars (which is less than £1.00 per Conversion Share). If the Issuer proposes any Adjustment Event (as defined in the Conditions) the Issuer shall (conditional upon such Adjustment Event occurring) appoint an Independent Adviser (as defined in the Conditions) to make any adjustment that such Independent Adviser determines, without regard to any pre-determined formula, is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

Following a Trigger Event, the number of Conversion Shares to be received by a Noteholder is expected to be very low relative to the nominal amount of Notes held by such Noteholder and the Conversion Price is not expected to be representative of the current or future value of such Conversion Shares. Investors should note that the high Conversion Price for the Conversion Shares is different from the conversion price adopted in many other contingent convertible tier 1 instruments which an investor may hold or purchase in the market.

9.9 ***Prior to the Conversion Date, Noteholders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares***

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and the exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Shares Delivery Date to the Conversion Shares Depositary as nominee of the relevant recipient (or the relevant recipient itself) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under Condition 7. Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

9.10 ***Noteholders will have to comply with certain procedures to receive delivery of the Conversion Shares following an Automatic Conversion***

In order to obtain delivery of the relevant Conversion Shares following an Automatic Conversion, a Noteholder must comply with certain procedures previously notified to the Noteholders. Such procedures may include providing notices to the Conversion Shares Depositary and providing details of the clearing system account to which the Conversion Shares should be delivered. Any Noteholder taking such action after the cut-off date for such actions notified to the Noteholders will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares.

Neither the Issuer nor the Guarantor shall have any liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

9.11 ***Noteholders may be subject to taxes following an Automatic Conversion***

Neither the Issuer, the Guarantor nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered. Noteholders will also be responsible for paying any taxes arising by reference to any disposal or deemed disposal of its Notes or interest therein upon an Automatic Conversion thereof.

9.12 *Subject to certain conditions, the Issuer may redeem the Notes at the Issuer's option on certain dates*

Subject, *inter alia*, to compliance with the Solvency Condition, to compliance with the Solvency Capital Requirement and Minimum Capital Requirement and to the satisfaction of the Regulatory Clearance Condition and Condition 9(m), the Issuer may redeem all (but not some only) of the Notes at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption:

(A) on any day falling in the period commencing on (and including) 25 May 2033 and ending on (and including) First Reset Date;

(B) on any day falling in the period commencing on (and including) the date falling six months prior to, and ending on (and including), any Reset Date thereafter; or

(C) at any time (i) following the occurrence of a Tax Event, (ii) following the occurrence of (or if the Issuer satisfies the Trustee that there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event or the occurrence of (or if the Issuer satisfies the Trustee that there will occur within 12 months) an Accounting Event or (iii) if 80 per cent. or more of the aggregate principal amount of the Notes originally issued have been purchased by or on behalf of the Issuer, the Guarantor and/or any of the Guarantor's other Subsidiaries (as defined in the Conditions) and (in each such case) cancelled pursuant to the Conditions.

The Guarantor currently expects the Notes to qualify (subject to any applicable limitations on the amount of such capital) as Tier 1 Capital of the Guarantor and the Insurance Group. However, there is a risk that following any future change to the Relevant Rules, the Notes will cease to qualify as Tier 1 Capital of the Guarantor and/or the Insurance Group, whether on a solo, group or consolidated basis, which would entitle the Issuer to redeem the Notes early at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any interest accrued but unpaid to (but excluding) the date of redemption.

The right of the Issuer to redeem the Notes in certain circumstances may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise above the price at which they can be redeemed.

An investor may 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.

9.13 *Redemption payments under the Notes must, under certain circumstances, be deferred*

Notwithstanding the Issuer's redemption rights referred to above and any notice given by the Issuer of redemption, the Issuer will be required to defer redemption of the Notes on any date set for redemption of the Notes pursuant to Condition 9 in the event that the Redemption and Purchase Conditions (as defined in Condition 9(b)) are not satisfied on the scheduled redemption date, and the Guarantor shall not be required to pay Guaranteed Amounts in respect of principal on such scheduled redemption date. The deferral of redemption of the Notes (and the payment of Guaranteed Amounts in respect of redemption of the Notes) does not constitute a default under the Notes or the Guarantee for any purpose.

In such circumstances, the Notes will be redeemed only in compliance with Condition 9(d).

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, 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 a scheduled maturity date cannot be deferred, and the Notes may accordingly be more sensitive generally to adverse changes in the Guarantor's financial condition.

9.14 ***Variation or substitution of the Notes without Noteholder consent***

Subject as provided in Condition 9, the Issuer may, at its option and without the consent or approval of the Noteholders, elect to substitute the Notes for, or 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 (as the case may be) at any time following the occurrence of a Tax Event or following the occurrence of (or if the Issuer satisfies the Trustee that there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event or following the occurrence of (or if the Issuer satisfies the Trustee that there will occur within 12 months) an Accounting Event.

Whilst any Qualifying Securities or Rating Agency Compliant Securities must have terms not materially less favourable to an investor than the terms of the Notes, there can be no assurance that any Qualifying Securities or Rating Agency Compliant Securities will be as favourable to investors in all respects as the Notes. Any features of Qualifying Securities or Rating Agency Compliant Securities which are not as favourable to investors as the Notes may have an adverse effect on the market price of the Notes.

9.15 ***Other capital instruments guaranteed by the Guarantor may not absorb losses at the same time, or to the same extent as the Notes***

The terms and conditions of other regulatory capital instruments issued from time to time with the benefit of a guarantee from the Guarantor may vary and accordingly such instruments may not convert into equity or be written-down at the same time, or to the same extent, as the Notes, or at all. Further, regulatory capital instruments issued by a member of the Insurance Group with terms that require such instruments to be converted into equity and/or written-down when a solvency or capital measure falls below a certain threshold may have different capital or solvency measures for triggering a conversion or write-down to those set out in the definition of Trigger Event or may be determined with respect to a group or sub-group of entities that is different from the Insurance Group, with the effect that they may not be converted into equity and/or written down on the occurrence of a Trigger Event. Therefore, the Notes may be subject to a greater degree of loss absorption than would otherwise have been the case had such other instruments been written down or converted at the same time as or prior to the Notes.

9.16 ***Restricted remedy for non-payment when due***

The Issuer is a special purpose vehicle

The Issuer is a special purpose vehicle set up for the sole purpose of issuing the Notes and on-lending the proceeds to the Guarantor. The Issuer is not an operating company. As such, substantially all of the Issuer's assets will be the Internal Loan (as defined in the Conditions and referred to under "*Use of Proceeds*" below) to the Guarantor. Should the Guarantor fail to pay (to the extent that such interest has not been cancelled in accordance with the Conditions) interest on, or (in circumstances where the Issuer has given notice of its election to redeem the Notes) repay the Internal Loan in full and in a timely fashion this would have a material adverse effect on the ability of the Issuer to fulfil its payment obligations under the Notes. Each of the risks relating to the Guarantor will also therefore indirectly affect the Issuer and if the Guarantor's financial condition were to deteriorate, the Issuer, and accordingly investors in the Notes, may suffer direct and materially adverse consequences. See also "*Payment Obligations and Subordination*" above. Furthermore, if a Trigger Event occurs, the Internal Loan to the Guarantor would be automatically written off in full, and accordingly the Issuer would have no recourse to the Guarantor (or any other persons) for any amounts payable under or in respect of the Internal Loan, which would further reduce the implied value of the Conversion Shares. Neither the Trustee nor the Noteholders will have any direct rights in respect of (including the right to receive any amounts payable by the Guarantor under) the Internal Loan.

Limited remedies for non-payment by the Issuer when due

If the Issuer is in default of any payment of interest (to the extent that such interest has not been cancelled in accordance with the Conditions) or any principal in each case which is due in respect of the Notes, the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder may claim under the Guarantee (in accordance with the terms of the Guarantee) for such payment.

Non-payment by the Issuer 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. In circumstances where the Issuer fails to make a payment when due or an Issuer Winding-Up occurs but the Guarantor does not default in its obligations, the Guarantor shall procure the substitution of itself or of another Subsidiary of the Guarantor as issuer of the Notes in place of the Issuer as if the Issuer default had not occurred.

Limited remedies for non-payment by the Guarantor when due

If default is made by the Guarantor for a period of 14 days or more in the payment of any amount due under the Guarantee, the sole remedy against the Guarantor available to the Trustee or (where the Trustee has failed to proceed against the Guarantor as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Guarantee will be the institution of proceedings for the winding-up in England and Wales (but not elsewhere) of the Guarantor and/or proving in any winding-up or in any administration of the Guarantor and/or claiming in the liquidation of the Guarantor. Subject as set out below and in the Conditions, there would be no separate remedy against the Issuer in this circumstance.

Remedies upon a Guarantor Winding-Up and/or Issuer Winding-Up prior to a Trigger Event

In the event that, prior to the occurrence of a Trigger Event, a Guarantor Winding-Up occurs but an Issuer Winding-Up has not occurred or is not occurring, the Trustee or (where the Trustee has failed to proceed against the Guarantor as provided in the Conditions) any Noteholder may prove in the winding up or administration of the Guarantor (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Guarantor (whether in England or elsewhere), such claim being as described in, and subordinated in the manner described in Condition 4(*b*), but may take no further or other action to enforce, prove or claim for any payment by the Guarantor in respect of the Notes or the Trust Deed (including the Guarantee).

In the event that, prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has also occurred or is occurring, the Trustee or (where the Trustee has failed to proceed against the Guarantor as provided in the Conditions) any Noteholder may prove in the winding-up or administration of the Issuer and/or the Guarantor, and/or may claim in the liquidation of the Issuer and/or the Guarantor, such claim being as described in, and subordinated in the manner described in, Condition 3(*b*)(i) or Condition 4(*b*), as applicable but may take no further action. Any amounts recovered from the Issuer or the Guarantor will reduce the Noteholders' claim against the

Guarantor or the Issuer, respectively, and in no event shall a Noteholder be able to recover more from the Issuer, or from the Issuer and the Guarantor together, than it would otherwise have been able to recover directly from the Guarantor alone. There can be no assurance that an Issuer Winding-Up will occur at the same time as or following a Guarantor Winding-Up.

As a result of the above, there is a significant risk that an investor in the Notes may not be able to recover its investment should the Issuer and/or the Guarantor fail to make payment under the Notes when due.

Enforcement on or following a Trigger Event

Following the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*)), the claims of Noteholders (or the Trustee on their behalf) in respect of the Notes shall be limited (subject as provided in the immediately following paragraph) to a claim to have the Conversion Shares issued and delivered as provided in Condition 7, and Noteholders shall have no other recourse to the Issuer or the Guarantor for payment of any amounts in respect of the Notes.

If (whether or not a Guarantor Winding-Up also occurs at or after such time) an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*)), and where the Conversion Shares have not yet been delivered to the Conversion Shares Depositary as nominee for the relevant recipients (or to the relevant recipient as contemplated in Condition 7), 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) prove in the relevant winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as described in Condition 3(*b*)(iii), but may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

9.17 ***Notes may be traded with accrued interest which may subsequently be subject to cancellation***

The Notes may trade, and/or the prices for the Notes may appear, in trading systems with accrued interest. Purchasers of Notes in the secondary market may pay a price which reflects such accrued interest on purchase of the Notes.

If an interest payment is cancelled (in whole or in part) as described above, a purchaser of Notes in the secondary market will not be entitled to the accrued interest (or part thereof) reflected in the purchase price of the Notes.

9.18 ***No limitation on Issuer or Guarantor issuing further securities or incurring further indebtedness***

The Issuer is a special purpose vehicle set up for the sole purpose of issuing the Notes and, as such and as a result of the provisions of Solvency II as regards regulatory capital issuance, the Issuer is not expected to incur any liabilities other than in connection with the issuance of the Notes and its ongoing general corporate administration.

However, there is no contractual restriction on the Issuer creating liabilities ranking equally with the Notes and no restriction on the amount of securities or other indebtedness which the Guarantor may issue, incur or guarantee, which securities, indebtedness or guarantees rank senior to, or *pari passu* with, the Guarantee. The issue, incurrence or guarantee of any such securities or indebtedness may reduce the amount recoverable by Noteholders (if any) on a winding-up of the Guarantor.

In particular, the claims of Noteholders under the Guarantee shall rank junior to the claims of Senior Creditors. Accordingly, in the winding-up of the Guarantor and after payment of the claims of its respective senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders under the Guarantee.

9.19 *Change of law*

The Conditions are based on English law and regulation in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, regulation or administrative practice after the date of issue of the Notes and any such change could materially adversely impact the value of any Notes affected by it.

9.20 *Integral multiples*

Investors who hold a principal amount of Notes that is less than the minimum specified denomination will be adversely affected if Certificates evidencing holdings of Notes are subsequently required to be issued. The Notes are issued in denominations of £200,000 and integral multiples of £1,000 in excess thereof. If Certificates evidencing holdings of Notes were to be issued, a Noteholder who holds less than £200,000 in principal amount of the Notes in its account with a relevant clearing system would not be able to receive a Certificate representing those Notes, and would need to purchase additional Notes such that it holds at least a principal amount of £200,000 in order to receive its Certificate representing those Notes.

9.21 *The Notes have no scheduled maturity and Noteholders only have a limited ability to exit their investment in the Notes*

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Although the Issuer may, under certain circumstances described in Condition 9 (*Redemption, Substitution, Variation and Purchase*), at its option elect to redeem or purchase the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem or purchase the Notes.

Therefore, Noteholders will have no ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem or purchase the Notes in accordance with the Conditions, (ii) by selling their Notes to other market participants, (iii) following Automatic Conversion, by selling the Conversion Shares delivered to them in respect of their Notes (if they are able to find a buyer for such Conversion Shares) or (iv) in a winding-up or administration scenario as described further above in the risk factor entitled "*Restricted remedy for non-payment when due*", in which circumstance the Noteholders may receive some of any resulting liquidation proceeds only following payment being made in full to all creditors ranking in priority to the claims of the Noteholders. The proceeds, if any, realised by the actions described in (ii), (iii) or (iv) above may be substantially less than the principal amount of the Notes or the amount of the investor's original investment in the Notes.

See further "*The secondary market generally*".

9.22 *The Guarantor's interests may not be aligned with those of investors in the Notes*

The satisfaction of the Solvency Condition and the availability of Guarantor's Available Funds as well as there being no breach of the Solvency Capital Requirement or Minimum Capital Requirement or no occurrence of a Trigger Event will depend in part on decisions made by the Guarantor and other entities in the Insurance Group relating to their businesses and operations, as well as the management of their capital positions.

While the Directors of the Guarantor have a duty to consider the interests of all stakeholders of the

Guarantor and the Insurance Group, including the Noteholders, the interests of other stakeholders of the Guarantor and the Insurance Group could be adverse to and outweigh the interests of the Noteholders, including in connection with strategic decisions and in respect of capital management and the relationship among the various entities in the Insurance Group and the Insurance Group's structure. The Guarantor may not be able to raise additional capital (including because it is a company limited by guarantee without a share capital) or may decide not to raise capital at a time when it is feasible to do so, even if that would result in a breach of the Solvency Capital Requirement or Minimum Capital Requirement, or result in the occurrence of a Trigger Event. It may decide not to take action necessary for its reserves or earnings to be included in the Guarantor's Available Funds. Moreover, in order to avoid the use of public resources, the PRA may decide that the Issuer or the Guarantor should allow a Trigger Event to occur or should cancel any Interest Payment(s) at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer, the Guarantor or any other member of the Insurance Group relating to decisions that affect the capital position of the Insurance Group or the Guarantor, regardless of whether they result in a breach of the Solvency Capital Requirement or Minimum Capital Requirement, or result in the occurrence of a Trigger Event or a lack of Guarantor's Available Funds. Such decisions could cause Noteholders to lose the full amount of their investment in the Notes.

10 Other risks related to the Notes

10.1 *The Notes could be subject to write-down if a recovery, resolution or restructuring regime for insurance companies is enacted*

As discussed in the risk factor entitled "*The Group's businesses are subject to extensive regulatory supervision and therefore regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates – The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies*", the Group may become subject to recovery, resolution or restructuring regimes for insurance companies and related legislation pursuant to which regulators or the courts may have the power to write down liabilities of insurance companies such as the Guarantor. The final scope of any such regime remains uncertain, and could extend such powers to other insurance group companies, such as the Issuer. If the Issuer, the Guarantor or the Group were to become subject to such a regime, and any conditions for the exercise of loss absorption powers in respect of the Issuer, the Guarantor or any other Group company were to be satisfied, some or all of the principal amount of the Notes, the Guarantor's obligations in respect of the Guarantee thereof and/or the principal amount of the Internal Loan could be written down, without any compensation being made available to the Noteholders, with the result that Noteholders could lose some or all of the value of their investment in the Notes. The possibility that such powers could be exercised in respect of the Notes, the Guarantee and/or the Internal Loan or any perception that the Guarantor's or the Group's financial condition is such that the conditions for exercising such powers may be satisfied, may result in volatility in the market value of the Notes and may cause losses for Noteholders due to a reduction in the market value of the Notes.

10.2 *The secondary market generally*

Although application has been made to admit the Notes to trading on the Market, the Notes have no established trading market and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes, and volatility may also be increased in an illiquid market, and this may be exacerbated if a significant proportion of the Notes are held by a limited number of initial investors.

Furthermore, the particular features of the Notes and the Guarantee as described above, including (but not limited to) the interest cancellation provisions, redemption features and Automatic Conversion, may result in the market price of the Notes being more volatile than the market prices of other securities.

If the Guarantor's financial condition deteriorates such that there is an increased risk that an Automatic Conversion may occur in respect of the Notes or that the Guarantor may be wound up or enter into administration, or if at any time there is any actual or anticipated cancellation of interest or suspension of redemption in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes, and could increase volatility and/or reduce liquidity in the market (if any) for the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition and/or the solvency position of the Guarantor deteriorates such that there is an actual or perceived increased likelihood of the Guarantor being unable to pay interest on the Notes or of a Trigger Event occurring.

10.3 ***Exchange rate risks and exchange controls***

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

10.4 ***Fixed rate reset notes are exposed to specific market risks***

The Notes bear a fixed rate of interest which will be reset on the First Reset Date (being 25 November 2033) and every Reset Date thereafter. 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**"). Given the long maturity of the Notes, 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.

In addition, the reset of the fixed interest rate in accordance with Condition 5 may also affect the market value of the Notes in the secondary market and, following any such reset of the fixed interest rate, the new fixed interest rate on the Notes may be lower than the previous fixed interest rate on the Notes, thereby reducing the amount of interest payable to Noteholders.

10.5 *Payments on the Notes may be subject to U.S. Foreign Account Tax Compliance Act Withholding ("FATCA")*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer and the Guarantor are each foreign financial institutions for these purposes. A number of jurisdictions (including the UK) 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 the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding, and Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

10.6 *Investors may be liable to pay certain taxes in circumstances where neither the Issuer nor the Guarantor is obliged to pay additional amounts to investors in respect of such taxes*

All payments by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless such withholding or deduction is required by law. In that event, in respect of payments of interest (including payments of Guaranteed Amounts in respect of interest), but not principal or any other amount (or Guaranteed Amounts in respect of principal or any other amounts), the Issuer or, as the case may be, the Guarantor shall (subject to certain customary exceptions as set out in Condition 10) pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

Potential investors should be aware that neither the Issuer, the Guarantor nor any other person will be liable for or otherwise obliged to pay, and the Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in the Conditions.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, the Issuer or the

Guarantor, as applicable, would not be required to pay any additional amounts as described above under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

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

The Notes are expected to be rated BBB by S&P and Baa3 by Moody's.

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. Conversely, a lowering of or withdrawal of a credit rating may have a materially adverse effect on the liquidity and market 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.

Future credit ratings downgrades may occur at any time, whether due to changes in the Guarantor's performance, its regulatory capital position, changes in the rating agencies' industry views or ratings methodologies, or a combination of these and other factors. On 10 May 2023, for example, S&P requested comments on proposed changes to its rating methodologies. The proposed changes have not been finalised and thus the impact, if any, that these changes may have on the credit rating of the Guarantor or the Notes is unknown.

In addition, rating agencies may from time to time elect to assign credit ratings to the Issuer, the Guarantor, the Notes or any of their other securities on an unsolicited basis. Any changes in, or withdrawals of, unsolicited ratings may also affect the market value of the Notes, notwithstanding that the information available to such rating agency may be limited to publicly available information.

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

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

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

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

The Notes will be represented by the Global Certificate upon issue. The Global Certificate will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, will receive and provide any notices only through Euroclear or Clearstream, Luxembourg, and will rely on the procedures of Euroclear and Clearstream, Luxembourg in the event a Noteholders' meeting is convened or an Extraordinary Resolution is otherwise proposed in respect of the Notes.

While the Notes are represented by the Global Certificate, the Issuer or, as appropriate, the Guarantor, will discharge its payment obligations under the Notes by making payments to or 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 Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer or, as appropriate, the Guarantor, has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

10.9 ***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.

10.10 ***Modifications and waivers***

The Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or video conference) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those and Noteholders who voted in a manner contrary to the majority.

Written resolutions executed by or on behalf of the 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, and resolutions passed by way of electronic consents given by holders of not less than 75 per cent. in principal amount of the Notes, shall also take effect as Extraordinary Resolutions and shall bind all Noteholders, including Noteholders who did not execute the written resolution or, as the case may be, did not give any electronic consent.

The Conditions also provide that, subject to the prior consent of the PRA being obtained (so long as such consent is required), the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed in the circumstances described in Condition 16.

Accordingly, there is a risk that the terms of the Notes may be modified, waived or amended in circumstances where an investor in the Notes does not agree to such modification, waiver or amendment, which may adversely impact the rights of such investor.

10.11 ***Substitution of obligors and transfer of business***

The Conditions provide that the Trustee may, without the consent of the Noteholders, agree to the substitution of another company as principal debtor or guarantor under the Notes in place of the Issuer, or, as the case may be, the Guarantor in the circumstances described in Condition 15.

In addition, Condition 17 provides that the Guarantor may transfer the whole or a substantial part (being any part which represents 50 per cent. or more of the liabilities (where the amount of the liabilities of the Guarantor is deemed to mean the same as the technical provisions of the Guarantor, net of reinsurance) relating to policies underwritten by the Guarantor) of its business, without any prior approval from the Trustee or the Noteholders, to a successor in certain circumstances provided that all the liabilities and obligations of the Guarantor as principal obligor under the Guarantee are included in the transfer.

Accordingly, there is a risk that a substitution or transfer may be effected in circumstances where an investor in the Notes does not agree to such substitution or transfer which may adversely affect the market value of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to modification, and except for the paragraphs in italics which are for information only and do not form part of the terms and conditions) will be endorsed on the Certificates issued in respect of the Notes (if issued):

The issue of the £350,000,000 10.125 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 19) was (save in respect of any such Further Notes) authorised by a resolution of the board of directors of RL Finance Bonds No. 6 plc (the "**Issuer**") passed on 12 May 2023. The subordinated guarantee of the Notes was authorised by a resolution of the board of directors of The Royal London Mutual Insurance Society Limited (the "**Guarantor**") passed on 3 November 2022 and a resolution of a committee of the board of directors of the Guarantor passed on 26 April 2023. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 25 May 2023 between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited (the "**Trustee**", which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the agency agreement (the "**Agency Agreement**") dated 25 May 2023 relating to the Notes between the Issuer, the Guarantor, the Trustee and HSBC Bank plc as registrar (the "**Registrar**", which expression shall include any successor thereto), as transfer agent (the "**Transfer Agent**", which expression shall include any successor thereto and any additional transfer agents appointed thereunder) and as initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the "**Paying Agents**", which expression shall include any successors thereto) (i) are available for inspection by Noteholders during usual business hours at the principal office of the Trustee (presently at 8 Canada Square, London E14 5HQ, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent or (ii) may be provided by email to a Noteholder following its prior written request to any Paying Agent, in each case upon provision of proof of holding of Notes and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

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

1 Form, Denomination and Title

(a) *Form and Denomination*

The Notes are issued in registered form in principal amounts of £200,000 and integral multiples of £1,000 in excess thereof (referred to as the "**principal amount**" of a Note, and references in these Conditions to "**principal**" in relation to a Note shall be construed accordingly) without coupons attached. A certificate (each a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer (failing which, the Guarantor) will procure to be kept by the Registrar (the "**Register**") on which shall be entered the names, addresses and account details of Noteholders and the particulars of the Notes held by them and of all transfers and repayments of Notes.

(b) *Title*

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

2 Transfers of Notes and Issue of Certificates

(a) *Transfers*

Subject to Conditions 2(*d*) and 2(*e*), each Note may be transferred (in whole or in part, subject to such transfer and any remainder being in a minimum amount of £200,000) by depositing the Certificate issued in respect of that Note, together with the form of transfer in respect thereof duly completed, executed and (where applicable) stamped, at the specified office of the Registrar or a Transfer Agent.

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

(b) *Delivery of new Certificates*

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

Except in the limited circumstances described in these Admission Particulars (see "Summary of Provisions relating to the Notes whilst in Global Form — Exchange"), owners of book-entry interests in the Notes will not be entitled to receive physical delivery of Certificates.

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

(c) *Formalities free of charge*

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

(d) *Closed periods*

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

(e) *Regulations*

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

3 Status of the Notes, etc.

(a) *Status*

The Notes constitute direct and unsecured 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 and this Condition 3.

(b) *Issuer Winding-Up*

(i) *Issuer Winding-Up and Guarantor Winding-Up occurring prior to a Trigger Event*

If, at any time prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has also occurred or is occurring, the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may claim or prove in such Issuer Winding-Up for an amount equal to the outstanding principal amount of such Notes together with any accrued but unpaid interest thereon (to the extent not previously cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations under the Notes and the Trust Deed, and the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed which shall not be subordinated) and the Noteholders against the Issuer in respect of such amounts will be subordinated in the manner provided in the Trust Deed to the claims of all Issuer Senior Creditors. If and to the extent that the amount that the Trustee or the Noteholders could recover in such Issuer Winding-Up (including any damages awarded for breach of any obligations under the Notes and the Trust Deed) would exceed the amount per Note that would have been paid in respect of such Note in such Guarantor Winding-Up (had the Note been a subordinated obligation of the Guarantor for an amount equal to the relevant Guaranteed Amounts and ranking *pari passu* with the Guarantee), then the Trustee and the Noteholders shall, without the need for any further step or action on the part of the Trustee or Noteholders, assign (and be treated as having assigned) irrevocably such excess amounts and the right thereto to the Guarantor.

(ii) *Issuer Winding-Up and no Guarantor Winding-Up occurring prior to a Trigger Event*

If, at any time prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not occurring, the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and the Noteholders (in each case in relation to any amount which they are entitled to receive in such Issuer Winding-Up in respect of, or arising under, the Notes and the Trust Deed (including any damages awarded for breach of any obligations thereunder)) shall, without the need for any further step or action on the part of the Trustee or Noteholders, assign (and be treated as having assigned) irrevocably such amounts and the right thereto to the Guarantor as consideration for the Guarantor's agreement to assume, or procure the assumption by a Subsidiary of the Guarantor of, the obligations of the Issuer (including the obligation to pay such aforementioned damages, if any) pursuant to, and in accordance with, Condition 4(*d*) and shall be deemed irrevocably to have authorised and directed the Issuer (or its liquidator or administrator, as appropriate) to make the payment of any such amounts directly to the Guarantor. In such event, the rights of Noteholders upon any subsequent Automatic Conversion of the Notes shall be as set out in Condition 7(*d*).

This Condition 3(*b*)(ii) is without prejudice to any claim which the Trustee and the Noteholders may have, in such circumstances, against the Guarantor under Condition 4 or against any Substituted Obligor substituted for the Issuer pursuant to Condition 4(*d*) or 15.

If, at any time prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not occurred or is not occurring, the Guarantor shall assume, or procure the assumption of, the obligations of the Issuer under the Notes and the Trust Deed.

(iii) *Issuer Winding-Up occurring on or after a Trigger Event*

If (whether or not a Guarantor Winding-Up also occurs at or after such time) an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*), in which case the provisions of Condition 3(*b*)(i) or Condition 3(*b*)(ii) above, as applicable, shall continue to apply as if such Trigger Event had not occurred), and where the Conversion Shares have not yet been delivered to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 7), there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, on the day prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would have been entitled to receive pursuant to an Automatic Conversion in accordance with Condition 7(*a*), whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

In such circumstances, Noteholders shall be entitled to claim solely against the Issuer, and shall have no claim against the Guarantor in respect of Guaranteed Amounts or any other amounts whatsoever under or in connection with the Notes or the Trust Deed.

(iv) *No double recovery*

If, in the circumstances contemplated in this Condition 3(b), any payment is made to the Trustee (other than payments made to the Trustee in its personal capacity under the Trust Deed) and/or the Noteholders in respect of, or arising under, the Notes and/or the Trust Deed by the liquidator or the administrator (as applicable) of the Issuer, such amount shall, in addition to the assignments set out in Conditions 3(*b*)(i) and (ii), reduce *pro tanto* the amounts payable by the Guarantor under the Guarantee and/or, as appropriate, any Substituted Obligor substituted for the Issuer pursuant to Condition 4(*d*) or 15 (save to the extent such amounts are subsequently paid by the Trustee or, as appropriate, the Noteholders to the Issuer or its liquidator or, as appropriate, administrator in accordance with Condition 3(*d*)).

If, in the circumstances contemplated in this Condition 3(*b*), any payment is made to the Trustee (other than payments made to the Trustee in its personal capacity under the Trust Deed) and/or the Noteholders in respect of, or arising under, the Guarantee by the liquidator or the administrator (as applicable) of the Guarantor, such amount shall, in addition to the assignments set out in Conditions 3(*b*)(i) and (ii), reduce *pro tanto* the amounts payable by the Issuer under the Notes and the Trust Deed (save to the extent such amounts are subsequently paid by the Trustee or, as appropriate, the Noteholders to the Guarantor or its liquidator or, as appropriate, administrator in accordance with Condition 3(*d*)).

(v) *Payments to Trustee in personal capacity*

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.

(c) *Solvency Condition*

Other than (A) in circumstances where a Guarantor Winding-Up has occurred or is occurring or (B) in respect of a claim against the Issuer pursuant to Condition 3(*b*)(iii) (but subject, in each case, to Condition 3(*b*)(v)):

(i) all payments by the Issuer 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 Issuer being solvent at the time for payment by the Issuer, and no amount shall be due or payable by the Issuer under or arising from the Notes or the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter; and

(ii) all payments by the Guarantor 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 Guarantor being solvent at the time for payment by the Guarantor and no amount shall be due or payable by the Guarantor under or arising from the Notes or the Trust Deed (including, without limitation, the Guarantee) unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter,

the "**Solvency Condition**".

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

Any payment of interest that would have been due and payable but for the Solvency Condition not being satisfied shall be cancelled.

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

(d) *Set-off, etc.*

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

4 Guarantee

(a) Status

The Guarantor has (subject as provided in Conditions 3(*c*)(ii), 4(*b*), 6(*a*), 6(*b*), 7, 8(*b*) and 8(*d*)) in the Trust Deed irrevocably guaranteed on the terms set out therein the due and punctual payment of all principal, interest and other sums from time to time which are due and payable by the Issuer in respect of the Notes or under, or pursuant to, the Trust Deed ("**Guaranteed Amounts**"). The obligations of the Guarantor under such guarantee (including those referred to in Condition 4(*d*)) (the "**Guarantee**") constitute direct, unsecured and subordinated obligations of the Guarantor. For the purpose only of determining whether any Guaranteed Amount is from time to time due and payable by the Issuer for the purposes of the obligations of the Guarantor under the Guarantee, the relevant principal, interest or other sum shall be deemed to be due and payable by the Issuer on the date on which such amount is expressed to be due and payable in accordance with these Conditions regardless of whether the requirements of Condition 3(*c*)(i) are satisfied on such date.

(b) Subordination: Guarantor Winding-Up occurring prior to a Trigger Event

If, at any time prior to the occurrence of a Trigger Event:

(i) an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (except, in any such case, (a) a winding-up following the transfer of all its liabilities and obligations as principal obligor under the Guarantee to a transferee in connection with a transfer of its business pursuant to Condition 17 or (b) a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business (as defined in Condition 22) of the Guarantor, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (B) do not provide that the Notes or any amount in respect thereof (including under the Guarantee) shall thereby become payable); or

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

(the events in Conditions 4(*b*)(i) and 4(*b*)(ii) each being a "**Guarantor Winding-Up**"), the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed which shall not be subordinated) and the Noteholders against the Guarantor in relation to Guaranteed Amounts (including, without limitation, any damages awarded for breach of any obligations under the Notes and the Trust Deed) will be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors, but shall rank:

(A) at least *pari passu* with all claims in respect of (i) all other subordinated obligations of the Guarantor which constitute, and all claims relating to a guarantee of, or other like or similar undertaking or arrangement given or undertaken by the Guarantor 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 and (ii) all obligations which rank, or are expressed to rank, *pari passu* therewith (together, "**Parity Obligations**"); and

(B) in priority to the claims of members of the Guarantor (under any applicable legislation relating to the winding-up of companies limited by guarantee and/or of insurers) in their capacity as members of the Guarantor (together, the "**Junior Obligations**").

In a Guarantor Winding-Up which occurs at any time prior to the occurrence of a Trigger Event, the amount payable in respect of Guaranteed Amounts (in lieu of any other payment by the Issuer or the Guarantor) shall be an amount equal to the outstanding principal amount of such Notes together with any accrued but unpaid interest thereon (to the extent not previously cancelled in accordance with these Conditions) to the date of payment of such amounts and any damages awarded for breach of any obligations under the Notes and the Trust Deed, and the claims for such amounts will be subordinated in the manner described above.

The Guarantor is a company limited by guarantee. Upon the liquidation, winding-up or administration of the Guarantor the liability of each of its members is limited to a contribution of one penny per member.

(c) Guarantor Winding-Up occurring on or after a Trigger Event

If a Guarantor Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*), in which case the provisions of Condition 4(*b*) shall continue to apply as if such Trigger Event had not occurred) and where the Conversion Shares have not yet been delivered to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 7), the only rights of the Noteholders (and of the Trustee on their behalf) shall be to claim to have such Conversion Shares delivered to them (or, if an Issuer Winding-Up also occurs prior to delivery of the Conversion Shares, to claim against the Issuer as provided above under Condition 3(*b*)(iii)) and the Noteholders (and the Trustee on their behalf) shall not have any other rights in respect of their Notes, the Trust Deed or any Guaranteed Amounts.

(d) Obligations of the Guarantor upon an Issuer Winding-Up occurring prior to a Trigger Event where no Guarantor Winding-Up has occurred or is occurring

If an Issuer Winding-Up occurs at any time prior to the occurrence of a Trigger Event, when a Guarantor Winding-Up has not also occurred or is not also occurring, the Guarantor shall (as more particularly described in the Trust Deed) assume, or shall procure the assumption by a Subsidiary of the Guarantor of, all of the obligations of the Issuer under the Notes and the Trust Deed (including any damages awarded against the Issuer for breach of any of its obligations thereunder) as if references in the Notes and the Trust Deed to "the Issuer" were to the Guarantor or the relevant Subsidiary (as the case may be) but provided that the claims of the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and the Noteholders against the Guarantor in respect of all payment obligations under the Notes and the Trust Deed shall rank *pari passu* with the Guarantee.

Accordingly, once the Guarantor has assumed, or has procured the assumption by its Subsidiary of, such obligations of the Issuer under the Notes and the Trust Deed, the Guarantor or such Subsidiary (as the case may be) shall have all of the rights and benefits applicable to the Issuer in these Conditions and the Trust Deed including, without limitation, the Issuer's ability to redeem, vary or substitute the Notes in the circumstances set out in Conditions 9(*f*), 9(*g*), 9(*h*), 9(*i*), 9(*j*) and 9(*k*).

5 Interest

(a) Interest Rate

Subject to Conditions 3(*c*), 6 and 7, the Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Subject to Conditions 3(*c*), 6 and 7, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments, and the amount of interest payable (subject as aforesaid) on each Interest Payment Date up to (and including) the First Reset Date shall be £50.625 per Calculation Amount, if paid in full.

Where it is necessary to compute an amount of interest payable in respect of any Note for a period that is less than or greater than an Interest Period, such interest shall be calculated on the basis of (i) the actual number of days in the period from (and including) the date from which such interest begins to accrue (the "**Accrual Date**") to (but excluding) the date on which the relevant payment of interest falls due (any such period, an "**Accrual Period**"), divided by (ii) two times the actual number of days in the period from (and including) the Accrual Date to (but excluding) the next scheduled Interest Payment Date.

(b) Interest Accrual

Subject to Conditions 3(*c*), 6 and 7, the Notes will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption or substitution thereof pursuant to Condition 9, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue at the applicable Interest Rate on the outstanding principal amount of such Note, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 5(*a*) in relation to equal instalments and subject to Conditions 3(*c*), 6 and 7, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 5(*a*) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). Where the denomination of a Note is more than the Calculation Amount, the amount of interest payable in respect of each such Note is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) Interest Rates

Each Note bears interest on its outstanding principal amount at the rate of 10.125 per cent. per annum (the "**Initial Interest Rate**") from (and including) the Issue Date to (but excluding) the First Reset Date.

In respect of each Interest Period which commences on or after the First Reset Date, each Note shall bear interest on its outstanding principal amount at the applicable Reset Rate.

(d) *Determination of Reset Rate*

The Interest Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on the date falling two Business Days prior to each Reset Date, determine the Reset Rate applicable to the Reset Period commencing on such Reset Date and shall promptly notify the Issuer and the Guarantor thereof.

(e) *Publication of Reset Rates*

Once the Issuer and the Guarantor have been notified of the Reset Rate by the Interest Calculation Agent in accordance with Condition 5(*d*), the Issuer (failing which, the Guarantor) shall cause notice of the applicable Reset Rate, and the amount of interest which will (subject to Conditions 3(*c*), 6 and 7) be payable per Calculation Amount on each Interest Payment Date in respect of which the relevant Reset Rate applies, determined in accordance with this Condition 5, to be given to the Trustee, the Paying Agents, the Noteholders in accordance with Condition 14 and in accordance with the rules and regulations of any stock exchange on which the Notes are (at the request of the Issuer or the Guarantor) for the time being listed or admitted to trading, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(f) *Interest Calculation Agent*

With effect from the date falling two Business Days prior to the First Reset Date, and for so long as any Notes remain outstanding thereafter, the Issuer shall maintain an Interest Calculation Agent.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Interest Calculation Agent with another financial institution in London or an independent adviser of recognised standing and appropriate expertise. If the Interest Calculation Agent is unable or unwilling to continue to act as the Interest Calculation Agent or fails duly to determine any Reset Rate as provided in Condition 5(*d*), the Issuer and the Guarantor shall forthwith appoint another financial institution in London or an independent adviser of recognised standing and appropriate expertise, in either case approved in writing by the Trustee to act as such and make the relevant determination in its place.

(g) *Determinations of Interest Calculation Agent binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Interest Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Interest Calculation Agent, the Principal Paying Agent, the Trustee, the Paying Agents and all Noteholders and no liability to the Noteholders, the Issuer or the Guarantor shall attach to the Interest Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6 Cancellation of Interest

(a) *Interest Payments Discretionary*

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, and Guaranteed Amounts in respect thereof will be due and payable only at the sole and absolute discretion of the Guarantor. Payments of interest on the Notes and of Guaranteed Amounts in respect thereof are, in all cases, subject to the provisions of Conditions 3(*c*), 6(*b*) and 7. Accordingly, the Issuer may at any time, subject to Conditions 3(*c*), 6(*b*) and 7, elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date, and the Issuer shall not have any obligation to make such Interest Payment. The Guarantor may at any time, subject to Conditions 3(*c*), 6(*b*) and 7, elect to cancel any Guaranteed Amount in respect of any Interest Payment (or part thereof) which would otherwise be due and payable on any Interest Payment Date, and the Guarantor shall not have any obligation to pay such Guaranteed Amount.

If the Issuer does not make an Interest Payment (or any part thereof) and the Guarantor does not pay the Guaranteed Amount in respect thereof (or any part thereof) on the relevant Interest Payment Date, such non-payment shall be sufficient evidence of the non-payment and cancellation of such Interest Payment (and Guaranteed Amount in respect thereof) (or relevant part thereof) by reason of it not being due in accordance with Condition 3(*c*), the cancellation of such Interest Payment in accordance with Condition 6(*b*), the cancellation of interest upon an Automatic Conversion in accordance with Condition 7 or, as appropriate, the Issuer's or the Guarantor's exercise of its discretion otherwise to cancel such Interest Payment (or the Guaranteed Amount in respect thereof) (or relevant part thereof) in accordance with this Condition 6(*a*), and accordingly such Interest Payment (and Guaranteed Amount in respect thereof) (or relevant part thereof) shall not in any such case be due and payable.

(b) *Mandatory Cancellation of Interest*

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 6(*c*), the Issuer shall cancel in full any Interest Payment (and the Guarantor shall cancel the Guaranteed Amount in respect thereof), and the Issuer shall have no obligation to make such Interest Payment (and the Guarantor shall have no obligation to pay Guaranteed Amounts in respect thereof), if:

(i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would (if the Guarantor were to make payment thereof) cease to be met immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would, if either the Issuer or the Guarantor were to make payment thereof, occur immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would, if either the Issuer or the Guarantor were to make payment thereof, occur immediately following, and as a result of making, such Interest Payment (or paying Guaranteed Amounts in respect thereof) (having regard also to any Additional Amounts payable with respect thereto);

(iv) the amount of such Interest Payment (or Guaranteed Amounts in respect thereof), together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not (and, if made by the Guarantor, would not) reduce the Guarantor's Available Funds and any payments already accounted for by way of deduction in determining the Guarantor's Available Funds) since the end of the latest financial year of the Guarantor and prior to, or on, such Interest Payment Date, would exceed the amount of the Guarantor's Available Funds as at the Interest Payment Date in respect of such Interest Payment; or

(v) the Issuer or the Guarantor is otherwise required by the PRA or under the Relevant Rules to cancel (or procure the cancellation of) the relevant Interest Payment (or Guaranteed Amounts in respect thereof), each of the events or circumstances described in sub-paragraphs (i) to (v) (inclusive) above being a "**Mandatory Interest Cancellation Event**".

A certificate signed by two Directors of the Issuer or the Guarantor confirming that (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest (or Guaranteed Amounts in respect thereof) on the Notes were to be made or (ii) a Mandatory Interest Cancellation Event has ceased to occur and/or payment of interest (or Guaranteed Amounts in respect thereof) on the Notes would not result in a new or further Mandatory Interest Cancellation Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(c) *Waiver of Cancellation of Interest Payments by the PRA*

Notwithstanding Condition 6(*b*), the Issuer shall not be required to cancel an Interest Payment (and the Guarantor shall not be required to cancel any Guaranteed Amounts in respect thereof) where a Mandatory Interest Cancellation Event solely as a result of the circumstances described in Condition 6(*b*)(ii) has occurred and is continuing, or would occur if payment of interest on the Notes (or any Guaranteed Amounts in respect thereof) were to be made, to the extent permitted by the Relevant Rules, where:

(i) the PRA has exceptionally waived the cancellation of the Interest Payment (and/or Guaranteed Amounts in respect thereof);

(ii) payment of the Interest Payment by the Issuer or payment of Guaranteed Amounts in respect thereof by the Guarantor would not further weaken the solvency position of the Guarantor or the Insurance Group; and

(iii) the Minimum Capital Requirement will be complied with immediately following such Interest Payment (or Guaranteed Amounts in respect thereof), if made.

A certificate signed by two Directors of the Issuer or the Guarantor confirming that the conditions set out in this Condition 6(*c*) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(d) *Effect of Cancellation of Interest Payments*

Any Interest Payment (or Guaranteed Amounts in respect thereof) (or relevant part thereof) which is cancelled in accordance with this Condition 6 or which is otherwise not due and payable in accordance with Condition 3(*c*) or which is cancelled in accordance with Condition 7 shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof (whether in an Issuer Winding-Up, a Guarantor Winding-Up or otherwise) and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer or the Guarantor for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action or any other action under the Notes or the Trust Deed (including the Guarantee).

(e) *Notice of Cancellation of Interest*

If practicable, the Issuer (failing which, the Guarantor) shall provide notice of any cancellation of any Interest Payment (or Guaranteed Amounts in respect thereof) (or any part thereof) pursuant to Condition 6(*a*) or 6(*b*) to Noteholders in accordance with Condition 14, and to the Trustee in a certificate signed by two Directors of the Issuer or the Guarantor, and the Principal Paying Agent and the Registrar in writing, at least five Business Days prior to the relevant Interest Payment Date (or, if the determination that such Interest Payment (or Guaranteed Amounts in respect thereof) (or any part thereof) is to be cancelled is made after such fifth Business Day, as soon as is practicable following the making of such determination). However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment (or Guaranteed Amounts in respect thereof) nor constitute a default or an event of default on the part of the Issuer or the Guarantor for any purpose.

(f) *Interest cancellation where no redemption for a Capital Disqualification Event*

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Own Fund Items of both the Guarantor and the Insurance Group but the Issuer has not exercised its option to redeem the Notes pursuant to Condition 9(*h*), to the extent permitted under the Relevant Rules, the Issuer shall not exercise its discretion as set out in Condition 6(*a*) to cancel any Interest Payment (and the Guarantor shall not exercise its discretion as set out in Condition 6(*a*) to cancel any Guaranteed Amount in respect thereof) due on the Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event.

This Condition 6(*f*) is without prejudice to the remainder of these Conditions and the Trust Deed, including (without limitation) the continuing application of Conditions 3(*c*), 6(*b*) and 7. Accordingly, the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules (other than as set out in this Condition 6(*f*)) notwithstanding the occurrence of the relevant Capital Disqualification Event and the operation of this Condition 6(*f*).

7 Automatic Conversion

(a) *Automatic Conversion upon Trigger Event occurring*

The Notes are not convertible into Conversion Shares at the option of the Noteholders or the Trustee at any time.

If a Trigger Event has occurred, the Issuer (failing which, the Guarantor) shall:

(i) immediately inform the PRA of the occurrence of the Trigger Event; and

(ii) (unless the PRA has waived Automatic Conversion in exceptional circumstances, as provided below) without delay, give the Trigger Event Notice which notice shall be irrevocable.

Unless the PRA has waived Automatic Conversion as aforesaid, immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall (subject as otherwise provided in Condition 7(d), if applicable) occur and the Issuer shall deliver the Conversion Shares to the Conversion Shares Depositary (or such other relevant recipient as described below) on the Conversion Shares Delivery Date.

Following such Automatic Conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Notes at any time, including where the Trigger Event ceases to occur.

The Issuer's obligation to repay the principal amount outstanding of each Note and all obligations of the Guarantor to pay Guaranteed Amounts pursuant to the Guarantee shall, without any further action required on the part of the Issuer, the Guarantor or the Trustee, be irrevocably released and discharged in consideration for, and simultaneously with, the Automatic Conversion. On and following an Automatic Conversion, Noteholders shall not have any rights against the Issuer or the Guarantor, whether in an Issuer Winding-Up or a Guarantor Winding-Up or otherwise, with respect to:

(i) repayment of the principal amount of the Notes or any part thereof;

(ii) the payment of any interest on the Notes for any period; or

(iii) any other amounts arising under or in connection with the Notes, the Guarantee and/or the Trust Deed,

without prejudice to (A) the rights of Noteholders pursuant to Condition 3(*b*)(iii) and (B) the rights of holders of the Conversion Shares to claim in respect of those Conversion Shares in an Issuer Winding-Up.

Such Automatic Conversion shall take place without the need for the consent of Noteholders or the Trustee.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer or the Guarantor. Any such determination shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Directors of the Issuer or the Guarantor certifying the accuracy of the contents of the Trigger Event Notice, which shall be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

Any failure by the Issuer or the Guarantor to give a Trigger Event Notice or to deliver the aforementioned certificate will not affect the effectiveness of, or otherwise invalidate, any Automatic Conversion, or give Noteholders any rights as a result of such failure.

The release of the principal amount of a Note pursuant to and in accordance with this Condition 7 shall be permanent and shall not constitute a default or event of default on the part of the Issuer or the Guarantor for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action or any other action under the Notes, the Guarantee or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the occurrence of the relevant Trigger Event if such an Automatic Conversion (taking into account the write-down or conversion of any other Own Fund Items on or around the same date) would give rise to a tax liability that would have a significant adverse effect on the solvency or capital position of the Guarantor and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to (i) the cancellation of any Interest Payment (or Guaranteed Amounts in respect thereof) or part thereof pursuant to Condition 6 and (ii) the subsequent Automatic Conversion of the Notes if a further Trigger Event occurs (subject to further exceptional waiver by the PRA)). The Issuer (failing which, the Guarantor) shall give notice to the Trustee and, in accordance with Condition 14, the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the PRA.

Under the Relevant Rules in force as at the Issue Date, the PRA is permitted (but not required) exceptionally to waive an Automatic Conversion in certain limited circumstances (being that it was *triggered only by limb (c) of the definition of Trigger Event and not by either of limbs (a) or (b) of such definition) where it has received prior to the relevant Trigger Event (i) projections provided by the Guarantor and/or the Insurance Group when it submits its recovery plan required by the Relevant Rules, that demonstrate that triggering the principal loss absorbency mechanism in such case would be very likely to give rise to a tax liability that would have a significant adverse effect on Guarantor's and/or the Insurance Group's solvency position; and (ii) a certificate issued by the Guarantor's or the Insurance Group's statutory auditors certifying that all of the assumptions used in the projections are realistic.*

(b) *Conversion Shares Depositary*

The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Trigger Event (unless the PRA has waived Automatic Conversion in respect of such Trigger Event as contemplated in Condition 7(*a*)).

If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares to the Noteholders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Noteholders or to the Noteholders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Notes and all of the Guarantor's obligations under the Guarantee as if the Conversion Shares had been issued to the Conversion Shares Depositary.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares as nominee on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Conversion Shares Delivery Date shall be determined by dividing the aggregate principal amount of the Notes outstanding (as defined in the Trust Deed) immediately prior to the Automatic Conversion by the Conversion Price prevailing on the date of the Automatic Conversion rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Noteholder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate principal amount of the Notes held by such Noteholder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion, rounded down, if necessary, to the nearest whole number of Conversion Shares.

The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares in issue on the Conversion Shares Delivery Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Noteholder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Conversion Shares Delivery Date.

The Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Noteholders, who shall be entitled to direct the Conversion Shares Depositary or such other recipient, as applicable, to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer the Conversion Shares until such time (if any) as they have been delivered to Noteholders.

Neither the Issuer, the Guarantor nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

The Conversion Shares will not be available for delivery (A) to, or to a nominee for, any clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).

(c) *Delivery of Conversion Shares to Noteholders*

Following an Automatic Conversion, the Issuer (failing which, the Guarantor) shall procure that the Conversion Shares Depositary (or such other recipient of the Conversion Shares, as set out above) promptly delivers a notice to the Trustee, in accordance with the rules and regulations of any stock exchange on which the Notes were (at the request of the Issuer or the Guarantor) listed or admitted to trading immediately prior to Automatic Conversion and, in accordance with Condition 14, the Noteholders (i) setting out the procedures by which a Noteholder may arrange for the transfer to itself from the Conversion Shares Depositary of the Conversion Shares held for such Noteholder by the Conversion Shares Depositary, and (ii) specifying the date up to which the Notes shall remain in existence for the sole purpose of evidencing each relevant Noteholder's right to receive Conversion Shares from the Conversion Shares Depositary.

Following such cancellation of the Notes, each Noteholder will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of Conversion Shares and the Conversion Shares Depositary may include such conditions to delivery as it considers to be appropriate.

Neither the Issuer nor the Guarantor shall have any liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

If any Conversion Shares have not been claimed for 12 years after the Conversion Shares Delivery Date, the Issuer or the Guarantor may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares and any such cash proceeds from such sale(s) will be forfeited and will be transferred to the Issuer for its own account unless the Issuer or the Guarantor decides, in its sole and absolute discretion, otherwise. Neither the Issuer nor the Guarantor will be a trustee of any such cash and neither the Issuer nor Guarantor shall have any liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the cash proceeds from any such sale(s) as aforesaid (as applicable).

The Trustee shall not be responsible for monitoring or enforcing the obligations of the Conversion Shares Depositary. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depositary, Noteholders must look to the Conversion Shares Depositary (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares due to them at the relevant time.

(d) *Automatic Conversion following a substitution of the Issuer following an Issuer Winding-Up*

In the event that a Trigger Event occurs following the assumption by the Guarantor or any Subsidiary of the Guarantor of the Issuer's obligations in respect of the Notes by reason of the fact that an Issuer Winding-Up has occurred at any time prior to the occurrence of a Trigger Event when a Guarantor Winding-Up has not also occurred or is not occurring, as set out in Condition 4(*d*):

(i) if the Guarantor has assumed the Issuer's obligations in respect of the Notes, no Conversion Shares shall be delivered and instead the principal amount of the Notes shall (subject to any exceptional waiver thereof by the PRA on terms substantially the same, *mutatis mutandis*, as those set out in Condition 7(*a*)) be written down to zero and released in full together with all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed, and the Noteholders shall have no right to receive any principal, interest or any other amounts under or in respect of the Notes, the Guarantee or the Trust Deed thereafter; or

(ii) if another Subsidiary of the Guarantor has assumed the Issuer's obligations in respect of the Notes, an Automatic Conversion shall (and the Guarantor shall procure that an Automatic Conversion shall) (subject to any exceptional waiver thereof by the PRA on terms substantially the same, *mutatis mutandis*, as those set out in Condition 7(*a*)) occur on the terms described in Conditions 7(*a*) and 7(*b*), save that the Conversion Shares to be issued will be ordinary shares in the capital of such Subsidiary.

The Trustee may at its discretion, without the consent of the Noteholders, agree to any consequential amendments to these Conditions and the Trust Deed which may be proposed by the Issuer (or any substitute therefor) and/or the Guarantor in order to give effect to the provisions of this Condition 7(*d*).

(e) *Adjustments to the Conversion Price*

If the Issuer proposes any Adjustment Event, the board of directors of the Issuer shall (in its sole discretion, acting in good faith) determine and (conditional upon such Adjustment Event occurring) appoint an Independent Adviser to make any adjustment that such Independent Adviser determines is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Guarantor, the Trustee and the Noteholders. The Issuer (failing which, the Guarantor) shall give notice to the Trustee, in accordance with the rules and regulation of any stock exchange on which the Notes are (at the request of the Issuer or the Guarantor) for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders of any adjustment to the Conversion Price as soon as practicable following such determination. The Conversion Price shall not in any event be reduced to below the nominal value of an ordinary share of the Issuer at such time. The Issuer further undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by law and regulation.

(f) *Undertaking*

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Relevant Rules from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur) at all times keep available for issue or allotment, free from any preemptive or other preferential rights, sufficient ordinary shares to enable the issue of all Conversion Shares as would be necessary to satisfy in full the obligation of the Issuer to issue and deliver Conversion Shares following the occurrence of a Trigger Event.

8 Payments

(a) *Payments in respect of Notes*

(i) Payments of principal and interest shall be made on the due date for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment. Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder.

(ii) Payments of principal and interest due at the time of redemption of the Notes will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.

(iii) For the purposes of this Condition 8, a Noteholder's registered account means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the Register at the close of business on the date falling two Business Days before the due date for payment.

(b) *Payments subject to applicable laws*

Save as provided in Condition 10, payments under the Notes will be subject in all cases to any other applicable fiscal or other laws and regulations or other laws and regulations to which the Issuer or the Guarantor (or their respective Paying Agents) agree to be subject and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

(c) *No commissions*

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 8.

(d) *Payment on Business Days*

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

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

(e) *Partial payments*

If the amount of principal or interest which is due to be paid on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid. With respect to the amount of any Interest Payment or part thereof, the Registrar shall have regard to the provisions of Condition 6(*a*) and such annotation shall be entirely subject to the provisions of such Condition.

(f) *Agents*

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

(i) a Principal Paying Agent;

(ii) a Registrar; and

(iii) such other agents as may be required by any stock exchange on which the Notes may be (at the request of the Issuer or the Guarantor) listed.

Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer (failing which, the Guarantor) in accordance with Condition 14.

9 Redemption, Substitution, Variation and Purchase

(a) *No Redemption Date*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer and the Guarantor shall only have the right to redeem or purchase (as the case may be) the Notes in accordance with the following provisions of this Condition 9. The Notes are not redeemable at the option of the Noteholders at any time.

(b) *Conditions to Redemption and Purchase*

Save as otherwise permitted pursuant to Condition 9(*c*), neither the Issuer nor the Guarantor may redeem or purchase any Notes unless each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied:

(i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Relevant Issue Date, either:

(1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or

(2) in the case of any redemption pursuant to Condition 9(*g*) or 9(*h*), the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Guarantor and the Insurance Group, including by reference to the Guarantor's and the Insurance Group's medium-term capital management plans); and

(A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer or the Guarantor having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or

(B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and

(C) in either case, the Issuer or the Guarantor having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Relevant Issue Date;

(ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Relevant Issue Date and (B) before the tenth anniversary of the Relevant Issue Date, the PRA has confirmed to the Issuer or the Guarantor that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Guarantor and the Insurance Group, including by reference to the Guarantor's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

(iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with these Conditions) cause the Solvency Condition to be breached;

(iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with these Conditions) cause the Solvency Capital Requirement to be breached;

(v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not (if the Guarantor were to make payment of the relevant redemption or purchase price together with any accrued and unpaid interest which has not been cancelled in accordance with these Conditions) cause the Minimum Capital Requirement to be breached;

(vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*));

(vii) no Insolvent Insurer Winding-up has occurred and is continuing; and/or

(viii) the Regulatory Clearance Condition is satisfied,

the conditions set out in paragraphs (i) to (viii) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the "**Redemption and Purchase Conditions**".

Notwithstanding the above conditions, if at the time of any such redemption or purchase, the prevailing Relevant Rules permit the redemption or purchase only after compliance with one or more additional or alternative requirements or pre-conditions to those set out above, the Issuer and the Guarantor shall comply with such additional and/or any appropriate, alternative requirement or pre-conditions (which shall be deemed to be the "**Redemption and Purchase Conditions**").

If on the proposed date for redemption or purchase of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall (save as otherwise permitted pursuant to Condition 9(*c*)) instead be suspended and such redemption shall occur only in accordance with Conditions 9(*c*) and 9(*d*) or, as applicable, the purchase of the Notes shall be cancelled.

(c) Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by the PRA

Notwithstanding Condition 9(*b*), the Issuer and the Guarantor shall be entitled to redeem or (as the case may be) purchase Notes (to the extent permitted by the Relevant Rules) where:

(i) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) of Condition 9(*b*);

(ii) the PRA has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;

(iii) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt, will include (without limitation) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a higher quality than the Notes); and

(iv) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors of the Issuer or the Guarantor confirming that the conditions set out in this Condition 9(*c*) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

Where the requirements of this Condition 9(c) are satisfied in respect of any redemption or purchase, the Redemption and Purchase Conditions for such redemption or purchase shall be deemed to be met.

(d) *Suspension of Redemption*

The Issuer (failing which, the Guarantor) shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with Condition 9(*b*), provided that if an event occurs or is determined less than five Business Days prior to the date set for redemption that results in the Redemption and Purchase Conditions ceasing to be met or that would result in the Redemption and Purchase Conditions not being met if the proposed redemption or purchase were to be made, the Issuer (failing which, the Guarantor) shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders as soon as reasonably practicable following the occurrence or determination (as the case may be) of such event, but any delay or failure in providing such notice shall not affect the suspension of the relevant redemption, nor constitute a default or an event of default on the part of the Issuer or the Guarantor for any purpose.

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 9 as a result of the operation of Condition 9(*b*), the Issuer shall redeem such Notes at their principal amount outstanding together with any accrued and unpaid interest (in each case, to the extent that such amounts have not been cancelled pursuant to these Conditions), upon the earlier of:

(i) the date falling ten Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 9(*c*) (unless on such tenth Business Day the Redemption and Purchase Conditions are again not met or the redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met (in each case save for the Redemption and Purchase Condition at sub-paragraph (iv) of Condition 9(*b*) to the extent waived under Condition 9(*c*)), in which case the provisions of Condition 9(*b*) and this sub-paragraph (i) of this Condition 9(*d*) will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or

(ii) the date on which a Guarantor Winding-Up occurs (insofar as such Guarantor Winding-Up occurs prior to a Trigger Event in respect of which the PRA has not waived Automatic Conversion as contemplated in Condition 7(*a*)).

The Issuer (failing which, the Guarantor) shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders no later than five Business Days prior to any such date set for redemption pursuant to (i) or (if reasonably practicable in the circumstances) (ii) above.

A certificate signed by two Directors of the Issuer or the Guarantor confirming that: (i) the Redemption and Purchase Conditions are not met or would cease to be met if the proposed redemption or purchase were to be made; or (ii) the Redemption and Purchase Conditions are met and would continue to be met if the proposed redemption or purchase were to be made, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) *Suspension of Redemption and Cancellation of Purchases Not a Default*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes and any cancellation of any purchases of any Notes in accordance with Condition 9(*b*) and 9(*d*) shall not constitute a default or event of default on the part of the Issuer or the Guarantor for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action or any other action under the Notes, the Guarantee or the Trust Deed.

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

Provided that the Redemption and Purchase Conditions are met, the Issuer may, at its option, having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 25 May 2033 and ending on (and including) the First Reset Date or (B) on any day falling in the period commencing on (and including) the date falling six months prior to, and ending on (and including), any Reset Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

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

(g) *Redemption, substitution or variation at the option of the Issuer due to a Tax Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 9(*m*) are met, if a Tax Event has occurred and is continuing, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any 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 at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject as provided in Condition 9(*l*) below and to the receipt by it of the certificates of the Directors referred to in Condition 9(*m*) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that:

(1) no such notice shall be given earlier than 90 days prior to the earliest date on which: (i) with respect to limb (a) or (b) of the definition of Tax Event, the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Amounts; (ii) with respect to limb (c) of the definition of Tax Event, a payment of interest (or Guaranteed Amounts in respect of interest) would be treated as a "distribution" for United Kingdom corporation tax purposes or otherwise not deductible from taxable profits for United Kingdom corporation tax purposes (or a material part of it would not be so deductible), in each case as referred to in limb (c) of the definition of Tax Event; (iii) with respect to limb (d) of the definition of Tax Event, a payment of interest (or Guaranteed Amounts in respect of interest) would cause a loss or non-trading loan relationship deficit for United Kingdom corporation tax purposes which is not capable of being surrendered as referred to in limb (d) of the definition of Tax Event, in each case were a payment in respect of the Notes then due; (iv) with respect to limb (e) of the definition of Tax Event, such tax liability would arise; or (v) with respect to limb (f) of the definition of Tax Event, the relevant adverse tax consequence would arise or be suffered; and

(2) 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 sub-paragraph (1) applies or (where applicable) will apply on the next Interest Payment Date (save that such opinion need not provide any confirmation as to whether the Issuer or, as the case may be, the Guarantor could avoid the occurrence or effect of the relevant Tax Event by taking reasonable measures available to it).

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 9(*m*) are met, if a Capital Disqualification Event has occurred and is continuing or, 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), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any 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 at any time the terms of the Notes so that they become or remain, Qualifying Securities and the Trustee shall (subject as provided in Condition 9(*l*) below and to the receipt by it of the certificates of the Directors referred to in Condition 9(*m*) 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.

(i) Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 9(*m*) are met, if a Ratings Methodology Event has occurred and is continuing or, as a result of a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any 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 at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities and the Trustee shall (subject as provided in Condition 9(*l*) below and to the receipt by it of the certificates of the Directors referred to in Condition 9(*m*) below and in the definitions of "Qualifying Securities" and "Rating Agency Compliant 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.

(j) Redemption, substitution or variation at the option of the Issuer due to an Accounting Event

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 9(*m*) are met, if an Accounting Event has occurred and is continuing or will occur within the forthcoming period of 12 months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

(i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any 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 at any time the terms of the Notes so that they become or remain, Qualifying Securities and the Trustee shall (subject as provided in Condition 9(*l*) below and to the receipt by it of the certificates of the Directors referred to in Condition 9(*m*) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that the Issuer shall deliver to the Trustee an opinion from a recognised accountancy firm of international standing experienced in such matters confirming that an Accounting Event has occurred or will so occur.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(k) Clean-up redemption at the option of the Issuer

Provided that the Redemption and Purchase Conditions are met, if 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) has been purchased by the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries and cancelled (a "**Clean-Up Event**"), then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, the Noteholders (which notice shall (save as provided in Condition 9(*q*) below) be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

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

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

(i) Subject to Condition 9(*b*), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer and the Guarantor (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 9(*g*), 9(*h*) or 9(*j*) above or Rating Agency Compliant Securities pursuant to Clause 9(*i*) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 9.

(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 9 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 9 relates, it shall be entitled without liability to assume that no such event or circumstance exists or has arisen.

(m) *Preconditions to redemption, variation and substitution*

(i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 9(*g*), 9(*h*), 9(*i*), 9(*j*) or 9(*k*), the Issuer or the Guarantor shall deliver to the Trustee a certificate signed by two Directors of the Issuer or the Guarantor stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event, an Accounting Event or a Clean-Up Event has occurred and is continuing as at the date of the certificate or (in the case of a Capital Disqualification Event or a Ratings Methodology Event) will occur within a period of six months or (in the case of an Accounting Event) will occur within a period of 12 months and (as the case may be) that it would have been reasonable for the Issuer to conclude, judged at the Relevant Issue Date, that the relevant Tax Event, Capital Disqualification Event, Ratings Methodology Event or Accounting Event was not reasonably foreseeable and in each case that all other conditions precedent to such redemption, variation or substitution have been satisfied.

(ii) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes pursuant to Condition 9(*g*), 9(*h*), 9(*i*) or 9(*j*) unless it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective and the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

A certificate signed by any two Directors of the Issuer or the Guarantor to the Trustee confirming compliance with the relevant requirements set out above shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(n) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with Condition 9(*g*), 9(*h*), 9(*i*) or 9(*j*), the Issuer and the Guarantor shall comply with the rules of any stock exchange or other relevant authority on which the Notes are (at the request of the Issuer or the Guarantor) for the time being listed or admitted to trading.

(o) *Purchases*

Provided that the Redemption and Purchase Conditions are met at the time of such purchase, the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries may at any time purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer, the Guarantor or any other Subsidiary of the Guarantor may be held, reissued, resold or, at the option of the relevant purchaser, surrendered for cancellation to the Registrar.

(p) *Cancellations*

All Notes redeemed or substituted by the Issuer pursuant to this Condition 9, and all Notes purchased and surrendered for cancellation pursuant to Condition 9(*o*), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(q) *Notices Final*

Subject to and without prejudice to the Redemption and Purchase Conditions and to Condition 9(*d*), any notice of redemption, substitution or variation as is referred to in this Condition 9 shall, except in the circumstances described in the following paragraph of this Condition 9(*q*), be irrevocable and on the redemption, variation or (as the case may be) substitution date specified in such notice, the Issuer shall be bound to redeem or, as the case may be, vary or substitute the Notes in accordance with the terms of the relevant Condition.

The Issuer may not give a notice of redemption, substitution or variation of the Notes pursuant to this Condition 9 if a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*)). If a Trigger Event occurs after a notice of redemption, substitution or variation has been given by the Issuer but before the relevant redemption, substitution or (as the case may be) variation date, and unless the PRA has waived Automatic Conversion (as contemplated in Condition 7(*a*)) in respect of such Trigger Event prior to the scheduled date for such redemption, substitution or variation (as applicable), such notice of redemption, substitution or variation (as applicable) shall automatically be revoked and be null and void and the relevant redemption, substitution or variation (as applicable) shall not be made or effected and the Notes shall be subject to Automatic Conversion in accordance with Condition 7.

10 Taxation

(a) *Payment without withholding*

All payments of principal, interest and any other amounts by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (including payments of Guaranteed Amounts in respect of interest), but not principal or any other amount (or Guaranteed Amounts in respect of principal or any other amount), the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

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

(ii) *Lawful avoidance of withholding*: to, or to 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; or

(iii) *Surrender more than 30 days after the Relevant Date*: in respect of which the Certificate representing such Note is (where presentation is required under these Conditions) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer or by the Guarantor pursuant to the Guarantee will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). None of the Issuer, the Guarantor or any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

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

(b) *Additional Amounts*

Any reference in these Conditions to any amounts in respect of interest (including payments of Guaranteed Amounts in respect of interest) payable in respect of the Notes or the Guarantee shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 10 or under any undertakings given in addition to, or in substitution for, this Condition 10 pursuant to the Trust Deed.

11 Prescription

Claims against the Issuer in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of them. Claims against the Guarantor for payment in respect of Guaranteed Amounts will become prescribed 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 Relevant Date in respect of them.

12 Events of Default

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

The right to prove in winding-up proceedings in respect of the Issuer prior to the occurrence of a Trigger Event is limited to proving and/or claiming in an Issuer Winding-Up in circumstances where a Guarantor Winding-Up has also occurred or is occurring. Neither the Noteholders nor the Trustee on their behalf have the right to institute winding-up proceedings of the Issuer.

If, prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not also occurring, the Guarantor shall (as more particularly described in the Trust Deed) assume, or shall procure the assumption by a Subsidiary of the Guarantor of, all of the obligations of the Issuer under the Notes and the Trust Deed (including any damages awarded against the Issuer for breach of any of its obligations thereunder) as if references in these Conditions and the Trust Deed to "the Issuer" were to the Guarantor or the relevant Subsidiary (as the case may be) but provided that the claims of the Trustee (other than in respect of its rights and claims in its personal capacity under the Trust Deed) and the Noteholders against the Guarantor in *respect of all payment obligations under the Notes and the Trust Deed shall rank pari passu with the Guarantee.*

The right to institute winding-up proceedings in respect of the Guarantor is limited to circumstances where, prior to the occurrence of a Trigger Event, a payment under the Guarantee in respect of principal has become due and has not been paid by the Guarantor. For the avoidance of doubt, unless a Guarantor Winding-Up has occurred, no amount shall be due from the Guarantor in those circumstances where payment of such amount could not be made in compliance with the Solvency Condition or is deferred in accordance with Conditions 9(b) and 9(d).

(i) *Issuer non-payment where no Guarantor Winding-Up*:

If, prior to the occurrence of a Trigger Event, (1) neither an Issuer Winding-Up nor a Guarantor Winding-Up has occurred or (2) an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has not also occurred or is not occurring and, in either case, the Issuer is in default in the payment of any principal due in respect of the Notes or any of them, then the Trustee and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may, in accordance with Condition 3(*b*) and the terms of the Guarantee, but subject also to Conditions 3(*c*), 6(*a*), 6(*b*), 7, 9(*b*) and 9(*d*), claim under the Guarantee for such payments due but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

(ii) *Issuer Winding-Up together with Guarantor Winding-Up*:

If, prior to the occurrence of a Trigger Event, an Issuer Winding-Up occurs at any time when a Guarantor Winding-Up has also occurred or is occurring, the Trustee and (where permitted to do so pursuant to Condition 12(d)) the Noteholders may claim under the Guarantee for the Guaranteed Amounts and 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) prove in the relevant winding-up or administration of the Issuer and/or the Guarantor (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Issuer and/or the Guarantor (whether in England and Wales or elsewhere), such claim being as described in, and subordinated in the manner described in, Condition 3(*b*)(i) or Condition 4(*b*), as applicable, but may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

(iii) *Guarantor non-payment or Guarantor Winding-Up:*

If, prior to the occurrence of a Trigger Event:

(A) default is made by the Guarantor for a period of 14 days or more in the payment of any Guaranteed Amount due under the Guarantee in respect of principal; or

(B) the Guarantor is in a Guarantor Winding-Up where an Issuer Winding-Up has not occurred or is not occurring,

the Trustee at its discretion may, and if so requested by Noteholders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction):

(x) institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and prove in the winding-up and/or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as described in, and subordinated in the manner described in, Condition 3(*b*)(i), but may take no further or other action against the Issuer to enforce, prove or claim for any payment due in respect of the Notes or the Trust Deed; and

(y) in the case of Condition 12(a)(iii)(A) above, institute proceedings for the winding-up of the Guarantor in England and Wales (but not elsewhere) and, in the case of Condition 12(a)(iii)(A) or (B) above, prove in the winding-up and/or administration of the Guarantor (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Guarantor (whether in England and Wales or elsewhere), such claim being as described in, and subordinated in the manner described in, Condition 4(*b*), but (in either case) may take no further or other action against either the Issuer or the Guarantor to enforce, prove or claim for any payment due in respect of the Notes or the Trust Deed (including the Guarantee), save as provided in Condition 3(*b*)(v).

Any claim against the Issuer or, as appropriate, the Guarantor pursuant to this Condition 12(*a*)(iii) for amounts in respect of principal and/or interest or, as the case may be, Guaranteed Amounts, shall be reduced if, and to the extent that, any amounts in respect of the same are first paid by or recovered from the Guarantor or, as appropriate, the Issuer and any claim against the Guarantor or, as appropriate, (and in addition to the assignments set out in Conditions 3(*b*)(i) and (ii)), the Issuer for amounts in respect of Guaranteed Amounts or, as appropriate, principal and/or interest shall be reduced if, and to the extent that, any amounts in respect of the same are first paid by or recovered from the Issuer or, as appropriate, the Guarantor.

(iv) *Enforcement on or following a Trigger Event*:

If (whether or not a Guarantor Winding-Up also occurs at or after such time) an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 7(*a*), in which case the provisions of Conditions 12(*a*)(i) or 12(*a*)(ii) above, as applicable, shall continue to apply as if such Trigger Event had not occurred), and where the Conversion Shares have not yet been delivered to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 7), 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) prove in the relevant winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer, such claim being as described in Condition 3(*b*)(iii), but may take no further or other action to enforce, prove or claim for any payment by the Issuer or the Guarantor in respect of the Notes or the Trust Deed (including, without limitation, the Guarantee).

(b) Enforcement

Without prejudice to Condition 12(*a*), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor (as the case may be) under the Trust Deed or the Notes (other than any payment obligation of the Issuer or the Guarantor under or arising from the Notes or the Trust Deed (including the Guarantee), including any payment of damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) but in no event shall the Issuer or the Guarantor, 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 12(*b*) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 12(*a*).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 12(*a*) or 12(*b*) above against the Issuer or the Guarantor to enforce the terms of the Trust Deed, the Notes or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

(d) *Right of Noteholders*

No Noteholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or the Guarantor 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 or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Noteholders shall have only such rights against the Issuer and the Guarantor (as appropriate) as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) *Extent of Noteholders' remedy*

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 12 and in Conditions 3 and 4, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Notes or under the Trust Deed.

If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 7) in accordance with these Conditions, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares issued and delivered in accordance with Condition 7 (or, if an Issuer Winding-Up also occurs prior to delivery of the Conversion Shares, to claim against the Issuer as provided in Condition 3(*b*)(iii)).

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 7) in accordance with these Conditions, with effect from the Conversion Shares Delivery Date, Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of the Conversion Shares to which such Noteholders are entitled.

13 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or other Transfer Agent (or any other place notice of which shall have been given in accordance with Condition 14) upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer or the Guarantor may reasonably require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Notices

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

15 Substitution of Issuer or Guarantor

(a) *Substitution rights*

Subject to Condition 15(*b*), the Trustee shall, at the request of the Issuer and the Guarantor, agree with the Issuer and the Guarantor, without the consent of the Noteholders:

(i) to the substitution of the Guarantor or its successor in business in place of the Issuer as principal debtor under the Trust Deed and the Notes; or

(ii) (subject to the Notes remaining unconditionally and irrevocably guaranteed on a subordinated basis, in accordance with Condition 4, by the Guarantor), to the substitution of a Subsidiary or parent company of: (i) the Issuer or its successor in business or (ii) the Guarantor or its successor in business, in place of the Issuer or any previous substitute under this Condition 15 as principal debtor under the Trust Deed and the Notes; or

(iii) to the substitution of a successor in business to the Guarantor in place of the Guarantor or any previous substitute under this Condition 15,

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

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

(2) the Substituted Obligor delivers to the Trustee one or more legal opinions addressed to the Trustee, the Issuer and the Guarantor in a form approved by, and provided to, the Trustee that (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its

assumptions of the duties and liabilities as Substituted Obligor under the Trust Deed and (in the case of (i) and (ii) above) the Notes in place of the Issuer or the Guarantor (as applicable) or, as the case may be, any previous Substituted Obligor and (ii) such approvals and consents are at the time of substitution in full force and effect. The Trustee may rely absolutely on such legal opinions without liability to any person and without any obligation to verify or investigate the accuracy thereof;

(3) two Directors (or other officers acceptable to the Trustee) of the Substituted Obligor certify that the Substituted Obligor is solvent at the time at which the substitution is proposed to be in effect and immediately thereafter (and the Trustee may rely absolutely on such certification without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substituted Obligor or to compare the same with those of the Issuer or (as the case may be) the Guarantor or (as the case may be) any previous Substituted Obligor);

(4) (without prejudice to the generality of the foregoing) the Trustee may, in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes if in the opinion of the Trustee such change would not be materially prejudicial to the interests of the Noteholders;

(5) if the Substituted Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer or (as the case may be) the Guarantor (or any previous Substituted Obligor) is subject generally (the "**Original Territory**"), the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 10 with the substitution for the references in that Condition and in the term "Relevant Jurisdiction" as applied in Condition 9(*g*) to the Original Territory of references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly;

(6) the Issuer, the Guarantor and the Substituted Obligor comply with such other requirements as the Trustee considers in its absolute discretion to be appropriate; and

(7) in the case of a substitution of the Guarantor pursuant to Condition 15(*a*)(iii) only, if the Notes are rated (where such rating was assigned or is then being maintained at the request or with the cooperation of the Issuer or the Guarantor) by one or more credit rating agencies of international standing immediately prior to such substitution, the Notes shall continue to be rated by each such rating agency immediately following such substitution, and the credit ratings assigned to the Notes by each such rating agency immediately following such substitution are to be no less than those assigned to the Notes immediately prior thereto.

(b) *Conditions to substitution*

Any substitution pursuant to this Condition 15 shall be subject to compliance with the Regulatory Clearance Condition.

Any substitution pursuant to this Condition 15 which occurs prior to the fifth anniversary of the Relevant Issue Date shall, to the extent then required by the Relevant Rules, also be subject to compliance with Condition 9(*b*)(i)(1).

Any substitution pursuant to this Condition 15 which occurs (A) on or after the fifth anniversary of the Relevant Issue Date and (B) before the tenth anniversary of the Relevant Issue Date shall, to the extent then required by the Relevant Rules, also be subject to compliance with Condition 9(*b*)(ii).

16 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) Meetings of Noteholders

Any modification to these Conditions or any provisions of the Trust Deed will be subject to the Issuer or the Guarantor satisfying the Regulatory Clearance Condition.

The Trust Deed contains provisions for convening meetings of the Noteholders (including by way of conference call or video conference) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the 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 for passing an Extraordinary Resolution will be two or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which falls within the proviso to paragraph 3 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be two or more persons present holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the principal amount of the Notes for the time being outstanding.

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 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.

An Extraordinary Resolution passed at any duly convened and held meeting of the Noteholders or by way of a written resolution will be binding on all Noteholders, whether or not they are present at the meeting or (as the case may be) whether or not they execute the written resolution.

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 9(*g*), 9(*h*), 9(*i*) or 9(*j*) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee pursuant to Condition 7(*d*) or in connection with a substitution of the Issuer or the Guarantor pursuant to Condition 15.

(b) Modification, waiver, authorisation and determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error; or (iii) which is required in connection with Condition 9(*g*), 9(*h*), 9(*i*), 9(*j*) or 15. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 9(*g*), 9(*h*), 9(*i*) or 9(*j*) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee pursuant to Condition 7(*d*) or in connection with a substitution of the Issuer or the Guarantor pursuant to Condition 15.

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

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the

Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the 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 already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any substitution or variation pursuant to Condition 9(*g*), 9(*h*), 9(*i*) or 9(*j*), any substitution pursuant to Condition 15 and any modification, abrogation, waiver, authorisation or determination pursuant to this Condition 16 shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

17 Transfer of Business of the Guarantor

In connection with any transfer of the whole or a substantial part of its business:

(i) to another body in accordance with Part VII (Control of Business Transfers) of the FSMA (a "**Successor**"); or

(ii) to a single legal entity where such transfer is pursuant to the exercise by the PRA or by any regulatory authority under the Financial Services Compensation Scheme of its powers in connection with any applicable law, rule or regulation,

the Guarantor shall procure that, subject to receiving the prior approval of the PRA, there shall be included in the transfer, all the liabilities and obligations of the Guarantor as obligor under the Guarantee and references in these Conditions and the Trust Deed to the Guarantor shall be construed accordingly. Any such transfer may be made without prior approval from the Trustee or the Noteholders, but is without prejudice to any statutory right of the Trustee or the Noteholders to raise objections in respect of any such transfer.

In this Condition 17, "**a substantial part**" means any part which, as at the most recent valuation date by reference to the latest published financial statements of the Guarantor and as certified in writing by two Directors of the Guarantor to the Trustee, represents 50 per cent. or more of liabilities (where the amount of the liabilities of the Guarantor is deemed to mean the same as the technical provisions of the Guarantor, net of reinsurance) relating to policies underwritten by the Guarantor.

18 Indemnification of the Trustee and its Contracting with the Issuer and the Guarantor

(a) *Indemnification 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 and the Noteholders, 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 worstcase 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.

Nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Conditions 3, 7 or 12) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(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 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, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(c) *Reports and certificates*

The Trust Deed provides that the Trustee may rely and act upon on 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.

19 Further Issues

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

The Issuer shall only issue further notes which are to be consolidated and form a single series with the outstanding Notes if it is content that (i) such further notes will upon issue qualify as Tier 1 Capital of the Guarantor and the Insurance Group and (ii) the outstanding Notes will continue to qualify as Tier 1 Capital of the Guarantor and the Insurance Group following the issuance of such further notes and their consolidation to form a single series with the outstanding Notes.

20 Governing Law

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

21 Rights of Third Parties

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

22 Defined Terms

In these Conditions:

An "**Accounting Event**" shall be deemed to have occurred if, as a result of any change in the accounting principles under Financial Reporting Standard 102 of the Financial Reporting Council ("**FRS 102**") (or any change in the interpretation of such accounting principles by the auditors of the Issuer or the Guarantor) which becomes effective on or after the Relevant Issue Date, but not otherwise, at any time the obligations of the Issuer or the Guarantor in respect of the principal amount of the Notes (or Guaranteed Amounts in respect of the principal amount of the Notes) must not, or must no longer, be recorded as a 'financial liability' pursuant to FRS 102 for the purposes of the consolidated financial statements of the Guarantor.

"**Additional Amounts**" has the meaning given in Condition 10;

"**Adjustment Event**" means the occurrence or existence at any relevant time of a subdivision, redesignation, consolidation or reclassification of any ordinary shares of the Issuer;

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

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

"**Asset Share**" means, in relation to a with-profits policy, the accumulation at investment rates of return (including, without limitation, capital appreciation and, where applicable, a contribution from miscellaneous profits) of premiums paid under the relevant with-profits policy less charges for expenses, taxation, the cost of benefits provided under the relevant with-profits policy and any charges for the cost of guarantees and the use of capital;

"**Assets**" means the unconsolidated gross assets of the Guarantor (or, as applicable, the Issuer) as shown in the latest published audited balance sheet of the Guarantor (or, as applicable, the Issuer), but adjusted for contingencies and subsequent events, all in such manner as the Directors of the Guarantor (or, as applicable, the Issuer) may determine;

"**Automatic Conversion**" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release, with effect immediately following the determination that a Trigger Event has occurred (unless the PRA has waived such Automatic Conversion in the circumstances set out in Condition 7(*a*)), by the Noteholders of all of the Issuer's obligations under the Notes and of all of the Guarantor's obligations under the Guarantee including, without limitation, the release of the full principal amount of each Note and all Guaranteed Amounts on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 7) at the then prevailing Conversion Price, the cancellation of all accrued and unpaid interest (whether or not then due) (and all Guaranteed Amounts in respect thereof) and any other amounts (if any) arising under or in connection with the Notes, the Guarantee and/or the Trust Deed (other than amounts to which the Trustee is entitled in its personal capacity under the Trust Deed);

"**Available Funds**" means, subject as otherwise defined or provided for with respect to available distributable items from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

(a) the Distributable Amount of the Guarantor, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Guarantor; plus

(b) the interim profits (if any) of the Guarantor, calculated on an unconsolidated basis, for the period from the Guarantor's then latest financial year end to (but excluding) such Interest Payment Date; less

(c) the interim net loss (if any) of the Guarantor, calculated on an unconsolidated basis, for the period from the Guarantor's then latest financial year end to (but excluding) such Interest Payment Date,

all as calculated and determined by the Guarantor in accordance with the Relevant Rules;

"**Business Day**" means (i) except for the purposes of Conditions 2 and 8(*d*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London, (ii) for the purposes of Condition 2, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located and (iii) for the purpose of Condition 8(*d*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in London and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered;

"**Calculation Amount**" means £1,000 in principal amount of the Notes;

a "**Capital Disqualification Event**" shall be deemed to have occurred if 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) the whole or any part of the principal amount of the Notes is excluded from counting as Tier 1 Capital for the purposes of the Guarantor and/or the Insurance Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

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

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

"**Conversion Price**" means £1,000 per Conversion Share, subject to adjustment in accordance with Condition 7(d);

"**Conversion Shares**" means the voting ordinary shares of the Issuer, having (at the Issue Date) a nominal value of £0.10 each, to be issued to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion by the Conversion Price on the date of Automatic Conversion rounded down, if necessary, to the nearest whole number of ordinary shares;

The total paid-up share capital of the Issuer as at the Issue Date will be £1,000,000. If an Automatic Conversion occurs, the Conversion Shares issued at the initial Conversion Price would represent 25 per cent. or less of the total issued ordinary share capital of the Issuer.

"**Conversion Shares Delivery Date**" means the date specified in the Trigger Event Notice as the date on which the Conversion Shares shall be delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions), which is expected to be not more than 30 Business Days following Automatic Conversion;

"**Conversion Shares Depositary**" means a financial institution, trust company, depositary entity, nominee entity or similar entity (which in each such case is wholly independent of the Issuer and the Guarantor) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Noteholders, to hold the Conversion Shares on behalf of such Noteholders in one or more segregated accounts and, in any event, on terms consistent with these Conditions;

"**Directors**" means the directors of the Issuer, the Guarantor or the Substituted Obligor (as the case may be) from time to time;

"**Distributable Amount**" means profits available for distribution, as determined in accordance with sections 830 and 833A of the Companies Act 2006, or (if the Guarantor is substituted for a Substituted Obligor which is not a United Kingdom company) the relevant provision under the law of the jurisdiction of incorporation of such Substituted Obligor or (in each case) any equivalent or replacement provision;

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

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

"**Financial Services Compensation Scheme**" means the UK compensation scheme, established under the FSMA, which commenced operations on 1 December 2001 as a fund of last resort to protect deposits and certain other obligations, within prescribed limits, of customers of authorised financial services firms which are unable, or likely to become unable, to meet their obligations in respect thereof, or any successor or replacement scheme;

"**First Reset Date**" means 25 November 2033;

"**FSMA**" means the Financial Services and Markets Act 2000 (as amended or re-enacted from time to time);

"**Further Notes**" means any notes issued after the Issue Date which are consolidated and form a single series with the Notes pursuant to Condition 19;

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

"**Guarantee**" has the meaning given in Condition 4(*a*);

"**Guaranteed Amounts**" has the meaning given in Condition 4(*a*);

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

"**Guarantor Winding-Up**" has the meaning given in Condition 4(*b*);

"**Independent Adviser**" means an independent financial institution of international repute or other independent adviser with appropriate expertise and experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

"**Initial Interest Rate**" has the meaning given in Condition 5(*c*);

"**Insolvent Insurer Winding-up**" means:

(a) the winding-up of any Group Insurance Undertaking; or

(b) the appointment of an administrator of any Group Insurance Undertaking,

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

"**Insurance Group**" means the Guarantor (or any successor in business) and its Subsidiaries;

"**insurance undertaking**" has the meaning given to it in the Relevant Rules;

"**Interest Calculation Agent**" means the interest calculation agent to be appointed and maintained by the Issuer in the circumstances set out in Condition 5(*f*);

"**Interest Payment**" means, in respect of any Interest Payment Date, the amount of interest which is (or would, but for cancellation in accordance with these Conditions, be) due and payable on such Interest Payment Date;

"**Interest Payment Date**" means 25 May and 25 November in each year from (and including) 25 November 2023;

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

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Rate, as applicable;

"**Issue Date**" means 25 May 2023;

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

"**Issuer Senior Creditors**" means:

(a) creditors of the Issuer who are unsubordinated creditors of the Issuer; and

(b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (including creditors of the Issuer whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 2 Capital or Tier 3 Capital), other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Noteholders (or the Trustee on their behalf) under the Notes;

The Issuer is a special purpose vehicle. As at the Issue Date, the Issuer does not have any creditors other than the Noteholders and does not intend to incur any indebtedness other than the Notes.

"**Issuer Winding-Up**" means either (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 solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (a) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (b) do not provide that the Notes or any amount in respect thereof shall thereby become payable); 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;

"**Junior Obligations**" has the meaning given in Condition 4(*b*);

"**Level 2 Regulations**" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing the Solvency II Directive, as amended by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019;

"**Liabilities**" means the unconsolidated gross liabilities of the Guarantor (or, as applicable, the Issuer) as shown in the latest published audited balance sheet of the Guarantor (or, as applicable, the Issuer), but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors of the Guarantor (or, as applicable, the Issuer) may determine;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Margin**" means 6.344 per cent.;

"**Mandatory Interest Cancellation Event**" has the meaning given in Condition 6(b);

"**Minimum Capital Requirement**" means the Minimum Capital Requirement or the minimum group Solvency Capital Requirement (as applicable) of the Guarantor and/or the Insurance Group or any other minimum capital requirement, group minimum capital requirement or other equivalent capital requirement applicable to the Guarantor and/or the Insurance Group howsoever described in the Relevant Rules;

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

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

"**Original Territory**" has the meaning given in Condition 15;

"**Own Fund Items**" means any own fund item referred to in the Relevant Rules;

"**Parity Creditors**" means creditors of the Guarantor whose claims (including claims in respect of any guarantee given by the Guarantor) rank, or are expressed to rank, *pari passu* with the claims of the Noteholders (or the Trustee on their behalf) under the Guarantee, including holders of Parity Obligations;

"**Parity Obligations**" has the meaning given in Condition 4(*b*);

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

"**policyholder**" means, in respect of a contract of insurance, each policyholder specified in that contract of insurance and any other beneficiaries of that contract of insurance, all as determined in accordance with that contract of insurance and applicable law and regulation;

"**PPFM**" means each set of Principles and Practices of Financial Management of the Guarantor as applicable in the context setting out how the Guarantor conducts its with-profits business in relation to specified groups of its with-profits policyholders, as amended and updated from time to time;

"**PRA**" means the Bank of England acting as the United Kingdom Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Guarantor and/or the Insurance Group;

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

"**ProfitShare Arrangements**" means the declaration of a discretionary allocation in favour of certain eligible with-profits policyholders and/or unit-linked policyholders of the Guarantor which allows each such eligible policyholder in its capacity as such to participate in the trading results of the Insurance Group or any other miscellaneous surplus arising in the Guarantor which declaration (i) is at the discretion of the board of directors of the Guarantor (or a committee thereof) having assessed *inter alia* the capital required to (a) satisfy the rights and expectations of with-profits policyholders to receive Asset Share-based distributions in respect of their policies and to meet the Guarantor's obligations to treat its customers fairly, (b) satisfy the Guarantor's obligations to its other creditors and (c) support the conduct of the Guarantor's business and (ii) is in addition to, and unconnected with, the rights and expectations of with-profits policyholders to receive an Asset Share-based distribution or allocation declared in respect of a with-profits policy as contemplated in the relevant PPFM of the Guarantor and/or any other rights of a policyholder to receive a contractual benefit under such policyholder's policy in the ordinary course of business;

"**Qualifying Securities**" means securities issued directly or indirectly by the Guarantor that:

(a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Guarantor in consultation with an investment bank, financial institution or other independent adviser of recognised standing, and provided that a certification to such effect (including as to the consultation with the investment bank, financial institution or other independent adviser and in respect of the matters specified in (b) below) signed by two Directors of the Guarantor 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 amendment or issue (as the case may be) of the relevant securities);

(b) (subject to (a) above) shall (1) contain terms which comply with then current requirements of the Relevant Rules in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) if directly issued by the Guarantor rank or, if indirectly issued by the Guarantor benefit from a guarantee from the Guarantor which ranks, at least *pari passu* with the ranking of the Guarantee; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer and the Guarantor as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes; (5) contain terms providing for the cancellation and/or suspension of payments of interest or principal (including, without limitation, conversion of principal into equity or automatic write down of principal) only if such terms are not materially less favourable to an investor than the cancellation and/or suspension (including, where applicable, conversion and automatic write down) provisions, respectively, contained in the terms of the Notes; and (6) preserve any existing rights under these Conditions to any accrued interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders but not been paid (but without prejudice to any right of the Issuer subsequently to cancel any such rights so preserved in accordance with the terms of the Qualifying Securities); and

(c) are listed or admitted to trading on the London Stock Exchange's International Securities Market or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"**Rating Agency**" means S&P Global Ratings Europe Limited or Moody's Investors Service Limited or, in either case, any affiliate thereof or successor thereto;

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

(a) Qualifying Securities; and

(b) assigned substantially the same "equity credit" (or such other nomenclature as may be used by the relevant Rating Agency or Subsequent Rating Agency (if applicable) 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 Guarantor, a lower "equity credit" (provided such "equity credit" is still higher than the "equity credit" assigned to the Notes after the occurrence of the Ratings Methodology Event) as that which was (A) first assigned by the Rating Agency or Subsequent Rating Agency to the Notes (i) in the case of equity credit assigned by a Rating Agency, on or around the Issue Date or (ii) in the case of equity credit assigned by a Subsequent Rating Agency, on the date that such equity credit was first assigned by such Subsequent Rating Agency or (B) (if later) assigned by that Rating Agency or Subsequent Rating Agency as at (or in connection with an issue of Further Notes on) the Relevant Issue Date; and provided that a certification to such effect signed by two Directors of the Guarantor 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);

a "**Ratings Methodology Event**" will be deemed to occur upon a change in methodology of a Rating Agency or a Subsequent 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 that Rating Agency or that Subsequent 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 that Rating Agency or that Subsequent Rating Agency to the Notes is (or will be), as notified by that Rating Agency or that Subsequent Rating Agency to the Issuer or the Guarantor or as published by that Rating Agency or that Subsequent Rating Agency, reduced when compared to (i) the "equity credit" first assigned by that Rating Agency or Subsequent Rating Agency to the Notes (whether on or around the Issue Date or thereafter) or (ii) (if this is lower) the lowest "equity credit" assigned by such Rating Agency or Subsequent Rating Agency to the Notes at the time of, or in connection with, any issue of Further Notes (where, in each case, any such "equity credit" was assigned following solicitation by, or with the co-operation of, the Issuer or the Guarantor);

"**Recognised Stock Exchange**" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 (as amended or re-enacted from time to time);

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

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

"**Regulatory Clearance Condition**" means, in respect of any proposed act on the part of the Issuer or the Guarantor (as the case may be), the PRA having consented to, or the PRA having confirmed its non-objection in writing to, such act (in any case only if and to the extent such consent or non-objection is required by the Relevant Rules at the relevant time);

"**Relevant Date**" has the meaning given in Condition 10(*a*);

"**Relevant Issue Date**" means, at any time, the later of (i) the Issue Date and (ii) if any further tranche(s) of the Notes has or have been issued pursuant to Condition 19 and consolidated to form a single series with the Notes, the date of issue of the then-latest such tranche of Notes as at such time;

"**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject 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, at any time, any legislation, rules, regulations or published regulatory expectations (whether having the force of law or otherwise) in the jurisdiction of the PRA and applicable to the Guarantor or the Insurance Group (including, without limitation and to the extent then applicable as aforesaid, (i) Solvency II and any legislation, rules or regulations implementing Solvency II and (ii) for the purposes of determining the Available Funds from time to time, the Companies Act 2006) and any relevant prudential rules for insurers applied by the PRA and any amendment, supplement or replacement of either thereof from time to time relating to the characteristics, features or criteria of own funds or capital resources, and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they apply to Tier 1 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 1 Capital of the Guarantor and the Insurance Group under the Relevant Rules (other than as set out in Condition 6(*f*)) notwithstanding the occurrence of a Capital Disqualification Event;

"**Reset Date**" means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

"**Reset Period**" means the period from (and including) the First Reset Date to (but excluding) the next succeeding Reset Date and each successive period from (and including) a Reset Date to (but excluding) the next following Reset Date;

"**Reset Rate**" means, with respect to a Reset Period, the Reset Reference Rate in respect of that Reset Period, plus the Margin;

"**Reset Reference Banks**" means five brokers of gilts and/or gilt-edged market makers selected by the Issuer or the Guarantor;

"**Reset Reference Rate**" means, in respect of a Reset Period, the percentage rate (rounded, if necessary, to three decimal places, with 0.0005 rounded up) determined by the Interest Calculation Agent on the basis of the 5-year Gilt Yield Quotations provided by the Reset Reference Banks at approximately 11.00 a.m. (London time) on the date falling two Business Days prior to the Reset Date on which such Reset Period commences. Such quotations shall be obtained by or on behalf of the Issuer or the Guarantor and provided to the Interest Calculation Agent. If at least four quotations are provided, the Reset Reference 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 Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the relevant Reset Reference Rate determined in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 3.781 per cent., where:

> "**5-year Gilt Yield Quotation**" means, with respect to a Reset Reference Bank and a Reset Period, the arithmetic mean of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of that Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank; and
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> "**Benchmark Gilt**" means, in respect of a Reset Period, such United Kingdom government security customarily used in the pricing of new issues with a similar tenor having a maturity date on or about the last day of such Reset Period as the Issuer or the Guarantor (on the advice of an investment bank of international repute or independent adviser of recognised standing and appropriate expertise) may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any);

"**Senior Creditors**" means:

(a) any policyholders of the Guarantor and, for the avoidance of doubt, the claims of Senior Creditors of the Guarantor who are policyholders shall include (i) 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 PPFM of the Guarantor and its obligations to treat customers fairly) and (ii) all amounts which the board of directors of the Guarantor (or a committee thereof) has resolved prior to a Guarantor Winding-Up shall be distributed to policyholders of the Guarantor under the ProfitShare Arrangements but which amounts have not yet been paid or allocated to the relevant policyholders at the time of such Guarantor Winding-Up but excluding therefrom any future distributions under the ProfitShare Arrangements that have not been declared at the time of such Guarantor Winding-Up;

(b) creditors of the Guarantor (other than policyholders) who are unsubordinated creditors of the Guarantor (including in respect of any unsubordinated guarantee given by the Guarantor); and

(c) other creditors of the Guarantor whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Guarantor (including creditors of the Guarantor whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Guarantor 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 2 Capital or Tier 3 Capital) (other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Guarantor in respect of any obligation of any other person which constitute), or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, any claims of the Noteholders (or the Trustee on their behalf) under the Guarantee);

"**Solvency II**" means the United Kingdom transposition of the Solvency II Directive and the Level 2 Regulations, as they each form part of retained EU law (as defined in the EUWA), as amended from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise);

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

"**Solvency Capital Requirement**" means the Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable) of the Guarantor and/or the Insurance Group referred to in, or any other equivalent capital requirement (other than the Minimum Capital Requirement) applicable to the Guarantor and/or the Insurance Group howsoever described in, the Relevant Rules;

"**Solvency Condition**" has the meaning given in Condition 3(*c*);

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

"**Subsequent Rating Agency**" means Fitch Ratings Limited or any other credit rating agency (other than a Rating Agency) or, in either case, any affiliate thereof or successor thereto that assigns "equity credit" (or such other nomenclature as may be used by such 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) to the Notes after the Issue Date;

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

"**Substituted Obligor**" has the meaning given in Condition 15;

"**Substituted Territory**" has the meaning given in Condition 15;

"**Successor**" has the meaning given in Condition 17;

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

a "**Tax Event**" is deemed to have occurred if, as a result of any change in (or proposed change in), or amendment to (or proposed amendment to), the laws or regulations of a Relevant Jurisdiction (including any treaty to which such Relevant Jurisdiction is a party), or any change (or proposed change) in the official or generally published interpretation or application of the laws or regulations of a Relevant Jurisdiction (including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously official or generally accepted position in relation to similar transactions), which change or amendment becomes (or would become) effective on or after the Relevant Issue Date:

(a) on the next Interest Payment Date, the Issuer in making any Interest Payment on the Notes will or would be required to pay Additional Amounts as provided or referred to in Condition 10;

(b) on the next Interest Payment Date, the Guarantor in making payment of Guaranteed Amounts will or would be required to pay Additional Amounts as provided or referred to in Condition 10;

(c) the payment of interest (or any Guaranteed Amounts in respect of interest) would be treated as a "distribution" for United Kingdom corporation tax purposes or the Issuer or the Guarantor would otherwise not be able to claim a deduction from taxable profits for United Kingdom corporation tax purposes for interest (or any Guaranteed Amounts in respect of interest) payable on the Notes or for a material part of such interest (or Guaranteed Amounts in respect of interest);

(d) where (A) in respect of the payment of interest (or any Guaranteed Amounts in respect of interest), the Issuer or the Guarantor, as the case may be, incurs a loss or a non-trading loan relationship deficit for United Kingdom corporation tax purposes in respect of such interest or Guaranteed Amounts in relation to an accounting period; and (B) other companies with which the Issuer or the Guarantor (as the case may be) is grouped for applicable United Kingdom tax purposes have profits chargeable to United Kingdom corporation tax in respect of that accounting period but such loss or deficit is not capable of being surrendered to offset such profits chargeable to United Kingdom corporation tax of such other companies for United Kingdom corporation tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist);

(e) the Issuer or the Guarantor would be subject to a tax liability in a Relevant Jurisdiction if a Trigger Event or an Automatic Conversion were to occur, or such Trigger Event or Automatic Conversion would result in a deemed receipt of income or profit for the Issuer or the Guarantor that would be subject to tax in a Relevant Jurisdiction; or

(f) the Issuer or the Guarantor suffers or would suffer any other material adverse tax consequence in connection with the Notes or the Guarantee in a Relevant Jurisdiction,

and the effect of the foregoing cannot be avoided by the Issuer or, as the case may be, the Guarantor by taking reasonable measures available to it;

"**Tier 1 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time;

"**Tier 1 Own Funds**" means subordinated notes or other instruments or interests which constitute Tier 1 Capital for the purposes of the Guarantor and/or the Insurance Group, whether on a solo, group or consolidated basis;

"**Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time;

"**Tier 3 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time;

a "**Trigger Event**" shall occur if at any time:

(a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;

(b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or

(c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed;

"**Trigger Event Notice**" means the notice referred to as such in Condition 7(*a*) which shall be given by the Issuer or the Guarantor to the Noteholders, in accordance with Condition 14, the Trustee, the Registrar, the Principal Paying Agent and the PRA, and which shall state with reasonable detail (i) the nature of the relevant Trigger Event, (ii) the basis of its calculation, (iii) the prevailing Conversion Price, (iv) the date of the relevant Automatic Conversion (which shall be immediately following the determination that the relevant Trigger Event has occurred and which may be a date prior to the date of the Trigger Event Notice), (v) the relevant Conversion Shares Delivery Date (which may be a date prior to, on or following the date of the Trigger Event Notice), (vi) details of the Conversion Shares Depositary and (vii) details of how to give notices required or permitted by these Conditions to the Conversion Shares Depositary;

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The following provisions apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions.

1 Relationship of Accountholders with Clearing Systems

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

2 Exchange

Owners of beneficial interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual Certificates only if each of Euroclear and Clearstream, Luxembourg (and, if applicable, any Alternative 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, and no successor or Alternative Clearing System satisfactory to the Issuer is available.

In such circumstances, the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholders within 14 days following a request therefor by the holder of the Global Certificate. A person with an interest in the Notes represented by the Global Certificate must provide the Registrar with (A) a written order containing instructions and other such information as the Issuer and the Registrar may require to complete, execute and deliver such Certificates; and (B) a certificate to the effect that such person is not transferring its interest in the Global Certificate.

3 Transfer

Notes represented by the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

4 Cancellation

Cancellation of any Note following its redemption, substitution for Qualifying Securities or Rating Agency Compliant Securities, Automatic Conversion or purchase by the Issuer, the Guarantor or any of the subsidiaries of the Issuer or the Guarantor will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and shall be duly endorsed (for information purposes only) of the schedule to the Global Certificate.

5 Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made to the registered holder of the Global Certificate. Upon payment of any principal or interest, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer and the Guarantor on the schedule to the Global Certificate.

Principal and interest shall be payable in accordance with the Conditions, save that the calculation of interest will be made in respect of the total aggregate principal amount of the Notes represented by the Global Certificate.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent required by the Registrar, to the cash accounts of participants in Euroclear, Clearstream, Luxembourg or any Alternative Clearing System in accordance with the relevant clearing system's rules and procedures.

All payments in respect of the Notes whilst they are represented by the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday (inclusive) except 25 December and 1 January.

6 Meetings

The holder of the Global Certificate shall be treated as being two persons and as having one vote in respect of each £1,000 principal amount of Notes represented by the Global Certificate. The Trustee may allow to attend and speak (but not to vote unless such person is a proxy or a representative) at any meeting of Noteholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Notes represented by the Global Certificate on confirmation of entitlement and proof of his identity.

7 Notices

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of one or more clearing systems, notices to Noteholders will be given by delivery of the relevant notice to each relevant clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to each of the relevant clearing systems for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Noteholder will be given by such Noteholder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the Trustee and the relevant clearing system may approve for this purpose.

8 Trustee's Powers

In considering the interests of Noteholders, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (A) have regard to such information as may have been made available to it by or on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (B) consider such interests on the basis that such accountholders were the holders of the Notes represented by the Global Certificate.

9 Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Notes represented by the Global Certificate shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the

Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

10 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, then:

(a) approval of a resolution proposed by the Issuer, the Guarantor 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 principal 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 which is a special quorum resolution), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent. The Principal Paying Agent shall confirm the result of voting on any Electronic Consent in writing to the Issuer, the Guarantor and the Trustee (in a form satisfactory to the Trustee) (which confirmation may be given by email), specifying (as of the deadline for the Electronic Consent): (i) the outstanding principal amount of the Notes and (ii) the outstanding principal amount of the Notes in respect of which consent to the resolution has been given in accordance with this provision. The Issuer, the Guarantor and the Trustee may rely and act without further enquiry on any such confirmation from the Principal Paying Agent and shall have no liability or responsibility to anyone as a result of such reliance or action. The Trustee shall not be bound to act on any Electronic Consent in the absence of such a confirmation from the Principal Paying Agent in a form satisfactory to it; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer, the Guarantor and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Trustee, as the case may be, (i) by accountholders in the clearing system with entitlements to such Global Certificate and/or (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held. For the purpose of establishing entitlement to give any such consent or instruction, the Issuer, the Guarantor and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing system (the "**relevant clearing system**") and, in the case of (ii) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (ii) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EasyWay or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer, the Guarantor or 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.

USE OF PROCEEDS

It is intended that the gross proceeds of the issue of the Notes will be on-lent on a subordinated basis by the Issuer to the Guarantor and used by the Guarantor for general corporate purposes including the refinancing of existing indebtedness, which may include the repurchase via the Tender Offer or early redemption of the outstanding £400,000,000 6.125 per cent. Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043 issued by the Tender Notes Issuer and guaranteed by the Guarantor. The Tender Notes are not the subject of these Admission Particulars.

The expenses related to the admission of the Notes to trading on the London Stock Exchange are expected to be £8,550.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in England and Wales on 23 November 2022 under the Companies Act 2006 (as amended) and registered in England and Wales with registered number 14501996.

The registered office of the Issuer is at 80 Fenchurch Street, London EC3M 4BY and its telephone number is 020 3272 5000. The Issuer has issued 500,000 ordinary shares with a nominal value of £0.10 each, all of which are fully paid up. The issued ordinary shares are held directly by the Guarantor.

The Issuer is a direct wholly-owned subsidiary of the Guarantor. The Issuer is a special purpose vehicle established for the purpose of issuing the Notes and to provide finance to the Guarantor.

The ability of the Issuer to pay interest under the Notes will be dependent on the ability of the Guarantor to make payments under the on-loan referred to under "*Use of Proceeds*" above.

Directors

Name	Function
Jane Perkins	Director
Robert Ferguson	Director

The business address of the Directors is 80 Fenchurch Street, London EC3M 4BY.

There are no potential conflicts of interest between the duties of each of the Directors to the Issuer and his/her private interests or other duties.

Capitalisation

The following table sets out the capitalisation of the Issuer as at the date of these Admission Particulars:

Shareholders' funds:	Sterling (£)
Issued 500,000 ordinary shares with a nominal value of £0.10 each (£0.10 of which is paid up)	50,000

Financial Statements

Since the date of its incorporation, the Issuer has not commenced any operations save in connection with the issuance of the Notes and no financial statements have been prepared. The Issuer will produce audited financial statements with a financial period ending on 31 December with the first such financial statements being for the 13 months ending 31 December 2023. The Issuer intends to appoint PricewaterhouseCoopers LLP as its auditors.

DESCRIPTION OF THE GUARANTOR

Overview

The Group comprises the Guarantor and its subsidiaries (including the Issuer). The Guarantor is a company limited by guarantee and not having share capital, registered in England and Wales with registered number 00099064. The Guarantor was founded in 1861, initially as a friendly society, and became a mutual life insurance company in July 1908. The Guarantor is authorised by the PRA and jointly regulated by the FCA and the PRA. The registered address of the Guarantor is 80 Fenchurch Street, London EC3M 4BY and its telephone number is 020 3272 5000. The principal legislation under which the Guarantor operates is the Companies Act 2006 and regulations made thereunder.

The Group operates principally in the UK life insurance and pensions market, looking after 8.7 million life and pension policies and £147 billion in funds under management as at 31 December 2022 (31 December 2021: £164 billion).

The Group offers a wide variety of long-term products, including pensions, protection and investments, and acts as an intermediary in distributing non-investment insurance products to its customers. The majority of amounts received from policyholders are invested and managed by the Group's asset management company, Royal London Asset Management ("**RLAM**"). RLAM also provides investment management products and services to third party retail and institutional customers.

Products of the Group are distributed principally under the Royal London brand, either directly to customers or through intermediaries such as independent financial advisers.

Further details of the business units of the Group are provided below.

Presentation of financial information

Financial information in these Admission Particulars relating to the years ended 31 December 2022 and 31 December 2021, unless otherwise stated, has been extracted without material adjustment from the Annual Report and Accounts of the Group for the year ended 31 December 2022. This information was prepared in accordance with UK GAAP.

Membership of the Guarantor

The Guarantor is a mutual and therefore has no shareholders and no share capital. The Guarantor has historically funded its activities through premiums from policies, fees primarily related to the value of assets under management and administration, investment income and realised capital gains therefrom.

Voting rights in the Guarantor belong equally to its members, who are customers of the business. However, only some policyholders are members and the rules determining membership of the Guarantor are set out in its articles of association. The articles of association of the Guarantor have been amended several times, and the membership rules applicable to a given policy will depend on the date such policy was taken out.

In general, members include customers with a conventional with-profits contract originally issued by the Guarantor or a contract which has the right from inception to be invested, wholly or partly, in the Guarantor's Main (Open) Long-Term Fund, but exclude any customers holding only contracts transferred into the long-term funds of the Guarantor from businesses previously acquired by the Group (including Scottish Life Assurance, companies in the United Assurance Group, Phoenix Life Assurance Limited, Royal Liver Assurance Limited and The Co-operative Insurance Society Limited ("**CIS**")).

Discretionary ProfitShare

In 2007, the Guarantor started allocating a proportion of the profits earned by the Group to certain qualifying with-profits policyholders through a 'profit share'. This increases the underlying value of the with-profits policies, leading ultimately to higher claim values.

The discretionary level of allocation is reviewed and approved by the Board on an annual basis and is subject to prior regulatory notification.

On 7 October 2015, the Guarantor expanded this "ProfitShare" arrangement ("**ProfitShare**") to allocate a proportion of the Group's profits to certain qualifying unit-linked pension policies. To ensure that existing with-profits policyholders were not adversely affected by this expansion of ProfitShare, the allocation to unit-linked policies was initially set at 1/8th of the rate applicable to with-profits policies. This discretionary rate is reviewed annually.

Any decision by the Board to allocate a ProfitShare is discretionary and will be made on a year-by-year basis depending upon several factors. The Group's ProfitShare takes into account its current and projected capital position, allowing for capital generation over the business planning period. ProfitShare allocation rates were maintained, with total ProfitShare for 2022 decreasing to £155 million (2021: £169 million) in line with the fall in the aggregate value of eligible policies due to market movements. The enhancements to qualifying policies from ProfitShare were 1.2 per cent. for existing with-profits policies and 0.15 per cent. unit-linked policies (2021: 1.2 per cent. and 0.15 per cent. respectively). New with-profits policies taken out since the start of 2022 received 0.3 per cent. Since 2007, over £1.5 billion in aggregate has been added to the value of eligible with-profits and unit-linked customers.

Organisational structure of the Group

Fund structure

As at the date of these Admission Particulars, the Guarantor comprises the Royal London Long-Term Fund (also referred to as the Royal London Open Fund, Royal London Main Fund and RL Main Fund) and the RL(CIS) Closed Sub-Fund . All new business is written into the Royal London Open Fund, with RLAM selected to manage the majority of the assets.

The Royal London Open Fund is committed to providing capital support to the RL(CIS) Closed Sub-Fund in the event that it moves into deficit. Similarly, the RL(CIS) Closed Sub-Fund, if able, is committed to support the Royal London Open Fund should it move into deficit.

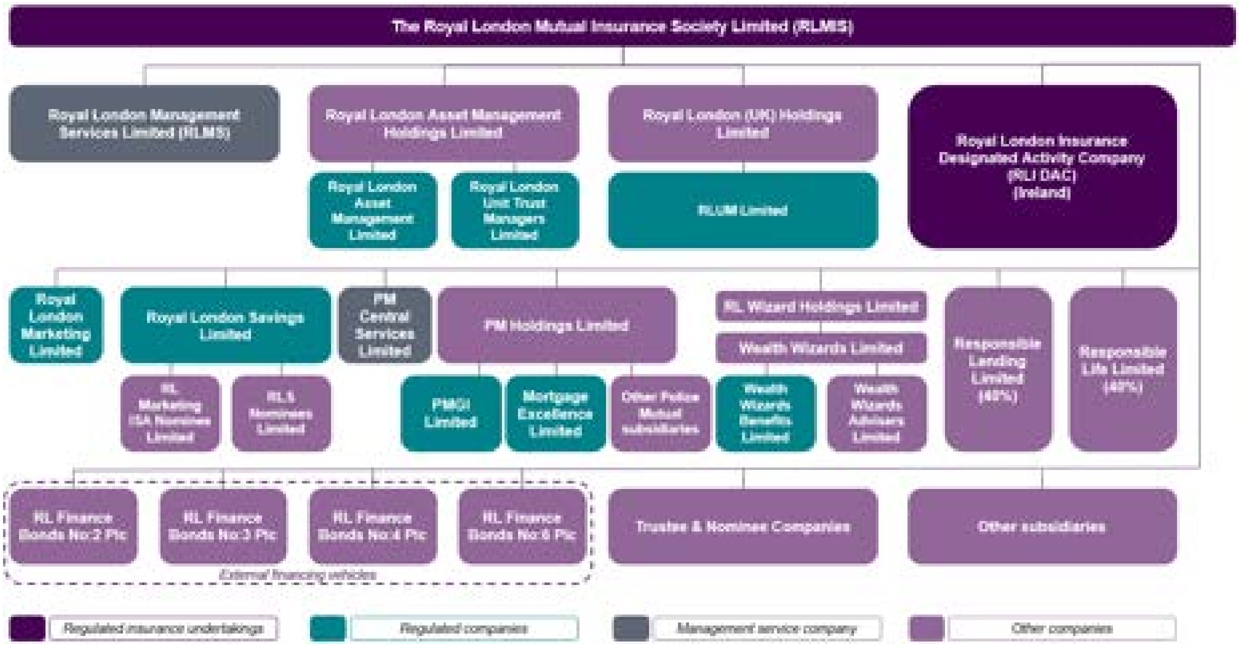
Organisational structure

The Guarantor is the ultimate holding company of the Group. The following table shows the principal operating subsidiaries of the Guarantor, being those which are considered to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position, profit and losses and prospects of the Guarantor at the date of these Admission Particulars:

Name of Company	**Country of incorporation**	**Percentage owned**	**Nature of business**
Royal London Management Services Limited	England	100	Service company
Royal London Asset Management Limited	England	100	Investment management

Royal London Unit Trust Managers Limited	England	100	Unit trust manager
RLUM Limited	England	100	Unit trust manager
Royal London Savings Limited	England	100	ISA manager
Royal London Insurance Designated Activity Company	Ireland	100	Regulated insurance provider
RL Finance Bonds No. 2 plc	England	100	Finance company
RL Finance Bonds No. 3 plc	England	100	Finance company
RL Finance Bonds No. 4 plc	England	100	Finance company
RL Finance Bonds No. 6 plc	England	100	Finance company

The following diagram, in simplified form, shows the organisation structure of the Guarantor and the main operating subsidiaries of the Group as at the date of these Admission Particulars.



The Group's history

General

The growth of the Group has encompassed a mixture of organic growth and strategic acquisitions, which can be summarised as:

- The RLAM business was established in 1988.
- United Assurance Group plc and its subsidiaries were acquired in 2000. United Assurance Group plc was itself a result of a merger between Refuge Assurance plc and United Friendly plc, established in 1858 and 1908 respectively.
- Scottish Life and its subsidiaries (including Scottish Life International) were acquired in 2001. Scottish Life was established in Edinburgh in 1881 as a proprietary company. It converted into a mutual company in 1968, before demutualising prior to its acquisition by the Group in 2001.
- Investment Funds Direct Limited and Investment Sciences Limited, which became the Group's Ascentric platform business, were acquired in 2007.
- The protection businesses of Scottish Provident Limited and Scottish Mutual Assurance Limited, Scottish Provident International Life Assurance and Phoenix Life Assurance Limited were acquired from Pearl Group Limited in 2008.
- Royal London 360° was established in 2008 (and was launched in 2009).
- Royal Liver Assurance Limited and its subsidiaries were acquired in 2011.

- The life and pensions business and asset management businesses of the Co-operative Group, namely CIS and The Co-operative Asset Management, were acquired in 2013.
- Royal London 360° and its subsidiaries were disposed in 2013 through a private-equity supported management buyout.
- The Royal London General Insurance Company Limited ("**RLGI**") was disposed in 2016. RLGI had been in run-off since 1999.
- The RLAM Channel Islands and the Royal London Custody Services CI Limited businesses were disposed in 2018.
- An Irish insurance subsidiary, RLI DAC, was incorporated on 11 July 2018 with regulatory permissions effective from 1 January 2019.
- The sale of the platform business, Investment Funds Direct Limited, to M&G plc was completed on 1 September 2020.
- The transfer of Police Mutual Assurance Society Ltd (PMAS) into the Group was completed on 1 October 2020.
- The purchase of Wealth Wizards Limited and its subsidiaries was completed on 1 April 2021.
- The purchase of 30 per cent. stakes in Responsible Life Limited and Responsible Lending Limited was completed on 1 July 2021.

As a result of a mixture of organic growth and strategic acquisitions, the Group's customer base has increased in recent years, which has enabled it to achieve significant cost synergies. The Group remains open to the possibility of future acquisitions, as part of its growth strategy.

Recent developments and significant events

2022 saw a successful conclusion to the Group's simplification programme for the benefit of long-standing customers. This included the consolidation of six closed with-profits funds, which allowed the Group to increase the total value of long-standing customers' policies by £675 million. The initial 30 per cent. stakes in Responsible Life Limited and Responsible Lending Limited were increased to 40 per cent. on 31 March 2023 and on 4 April 2023 the acquisition of Aegon UK's individual protection business was announced. Customers' policies of Aegon UK are expected to transfer to the Group in 2024, following the completion of a court-approved Part VII transfer. In the interim period, Aegon UK will reinsure the portfolio to the Group.

Board and Leadership changes

Mark Rennison, Shirley Garrood, Baroness Ruth Davidson PC, Jane Guyett CBE, Pars Purewal and Eithne McManus joined the Board during the last three years.

In that time David Weymouth and Tracey Graham both retired from the Board after serving the maximum term of office and Mark Rennison and Jane Guyett CBE succeeded them as Chairs of the Risk and Capital Committee and the Remuneration Committee respectively.

Following regulatory approval, Group Chief Financial Officer Daniel Cazeaux joined the Board in September 2020.

Strategy

As the UK's largest mutual life insurance, pensions and investment company, the Guarantor's focus is on the interests of its members and other customers. The Group seeks to be a purpose-driven organisation oriented around its customers with flexible propositions that meet a broader customer need. It will seek to engage customers at the right time with the right solutions in the right way, be data led and digitally nimble whilst operating and growing responsibly.

One of the key differentiating factors of the Guarantor is its mutual status, which is core to its strategy. As a mutual with strong existing customer propositions, the Group is well-placed to deliver a unique value for money strategy. Its business model is central to driving its strategy and the Group makes effective use of its resources and relationships to create long-term and sustainable value for all its stakeholders.

As at the date of these Admission Particulars, the Board is of the view that mutuality has served its members well and has no plans to change the Guarantor's corporate structure materially. Going forward, the Group's future strategy encompasses organic growth and growth by acquisition opportunities within the UK and Ireland, in order to increase its scale, efficiency and competitiveness.

Organisational business units

The Group operates in the pensions, protection and wealth management markets. It partners with advisers and their clients, and directly with its members and customers to deliver long-term growth and income. The Group is structured into three Divisions:

- The **UK** Business Unit which works with independent financial advisers and intermediaries to bring its protection and pension products to their clients in the UK. The products sold include but are not limited to:
  - Individual Pensions;
  - Workplace Pensions;
  - At retirement products;
  - Life cover;
  - Annuities;
  - Critical illness cover; and
  - Income Protection.
- The **Asset Management** Business Unit which manages £147 billion at 31 December 2022 (31 December 2021: £164 billion) in funds for the Group's policyholders and external clients. RLAM's external fund range includes but is not limited to:
  - RL Cash Plus Fund;
  - RL Sterling Extra Yield Bond Fund;
  - RL Sterling Credit Fund;
  - RL UK Equity Income Fund;
  - RL Short Duration Global High Yield Bond Fund;

    - RL Pooled Pension Company UK Corporate Bond Fund;
    - RL Short Duration Credit Fund; and
    - RL Sustainable Leaders Trust.
- The **Irish** Business Unit (Royal London Ireland) which works with independent financial advisers and intermediaries to bring its products to their clients in Ireland. Products sold include but are not limited to:
    - Life cover;
    - Income Protection;
    - Individual Pensions; and
    - Critical illness cover.

Asset Management - Royal London Asset Management (RLAM)

RLAM was founded in 1988 and is the specialist fund management company within the Group. It invests on behalf of the Group as well as for a wide range of institutional and wholesale clients.

RLAM aims to maintain its focus on providing high quality investment management for the Group, as well as growing external funds under management. In recent years RLAM has increased the breadth of its product offering, building a range of investment capabilities such as multi-asset, global equities, multi-asset credit and sustainable. It will continue to build its reputation as a leading provider across all asset classes.

	Gross flows		Net flows	
	2022	**2021**	**2022**	**2021**
		(£m)		
Internal flows	9,543	8,522	2,009	915
External flows	17,104	17,910	1,709	4,372
Total	26,647	26,432	3,718	5,287

The table below sets out RLAM's total assets under management by asset allocation:

Asset class	**31 December 2022**	**31 December 2021**
	(£bn)	
Fixed Income	56.2	65.9
Equities	58.6	60.6
Property	11.0	11.3
Cash	17.8	20.2
Other	3.6	5.8

Asset class	31 December 2022	31 December 2021
	(*£bn*)	
Total	147.2	163.8

Assets under management decreased to £147.2 billion at 31 December 2022 (31 December 2021: £163.8 billion) with net inflows of £3.7 billion offset by negative market movements. 80 per cent. of the Group's actively managed funds outperformed their benchmark over the three years to 31 December 2022. Peer rankings remain positive for open-ended investment companies (OEICs) for the three years to 31 December 2022. Over the same period, 85 per cent. of funds were in the top two quartiles, with two Sustainable funds remaining in the top decile of their respective peer groups, despite a difficult 2022 (peer source Refinitiv Lipper).

The Guarantor's Board sets the Group's investment policy and strategy. The majority of day-to-day responsibility for implementation is delegated to RLAM with monitoring procedures in place.

The investment management agreement in place between the Guarantor and RLAM specifies the limits for holdings in certain asset categories at a fund level for the Royal London Long-Term Fund and the Closed RL(CIS) Sub-Fund. Funds are invested and benchmarks set with the view of optimising the long-term return on investments whilst recognising the need to meet commitments to policyholders (including any guarantees) as well as maintaining the estate at the target size. The Directors of the Guarantor may group liabilities into separate pools and the investment strategy for each such pool may be determined separately. The funds invest in a wide range of assets. In determining the mix of assets between different asset classes, the investment strategy will take into account the proportionate size of the estate, the fund's ability to meet its ongoing capital requirements in all reasonably foreseeable circumstances, the long-term expected return available from each asset category and the observed and expected market volatility of each asset class. The Guarantor's Investment Committee monitors the actual asset allocations and performance against benchmark.

The Group's exposure to asset volatility is managed through asset matching and hedging strategies, in order to match the performance of assets closely to underlying liabilities. The following table provides an analysis of the Group's non-linked financial investments as at 31 December 2022:

	Group	
	31 December 2022	31 December 2021
	(*£m*)	
Derivatives		
Unquoted	1,835	4,316

	Group	
	31 December 2022	**31 December 2021**
	(*£m*)	
Equity securities		
Quoted	6,034	6,937
Unquoted	394	378
	6,428	7,315
Debt and fixed-income securities		
Government bonds	3,401	5,217
Other quoted	4,888	5,126
Loans secured by policies	2	3
Deposits with credit institutions	645	2,353
Other unquoted	1,762	2,528
	10,698	15,227
Other investments		
Unit trusts and other pooled investments	14,449	18,395
Commercial real estate loans	52	40
Total financial investments at FVTPL	33,462	45,293

In order to minimise its exposure to credit risk, the Group invests primarily in higher graded assets, rated BBB or above. The Group also makes use of collateral arrangements in respect of its derivative exposures and stock lending activity, wherever possible.

As disclosed in the table above, as at 31 December 2022, 32 per cent. of the Group's non-linked financial investments was invested in fixed income investments and cash, compared to 34 per cent. at 31 December 2021.

In addition to the non-linked financial investments shown above, the Group had the following assets held to cover linked liabilities as at 31 December 2022:

	Group	
	31 December 2022	**31 December 2021**
	(*£m*)	
Investment property	4,431	4,981

	Group	
	31 December 2022	31 December 2021
	(£m)	
Derivative assets	136	70
Derivative liabilities	(140)	(87)
Equity securities	710	994
Debt and fixed income securities	15,490	16,520
Unit trusts and other pooled investments	6,356	7,645
OEICs and other investment funds – subsidiaries	38,285	39,985
OEICs and other investment funds – associates	4,924	2,093
Cash at bank	323	257
Net current assets	342	239
	70,857	72,697

UK

The UK business provides a range of Long-term savings and Protection products to customers and employers, primarily through independent financial advisers. These products include:

Pensions:

- individual pensions, through the Pension Portfolio product, which combines a personal pension, a range of self-investment options and drawdown functionality, creating a flexible product that can keep pace with clients' changing lifestyle and needs, as they approach retirement;
- income drawdown, through the Income Release product which allows customers to enjoy flexible access to their pension savings; and
- workplace pensions, including propositions for defined contribution customers (the Retirement Solutions product).
- annuities, available to existing customers with a Guaranteed Annuity Option (GAO).

The Pensions new business sales for FY22 and FY21 are presented below:

	PVNBP		New business contribution		New business margin	
	2022	2021	2022	2021	2022	2021
	(£m)				(%)	
Individual Pensions..............................	5,219	4,766	83	78	1.6	1.6
Workplace Pensions.............................	4,114	3,200	43	30	1.0	0.9

Individual Pensions new business sales increased to £5,219 million (2021: £4,766 million) with growth in the first half of 2022 following an increased number of face-to-face adviser appointments post-pandemic. Sales levels were supported by the benefits of the relative performance and diversification of the Group's flagship Governed Range. New business margin was flat at 1.6 per cent.

Protection

Products offered in the UK include:

- individual protection, through the Personal Menu Plan, which allows customers to choose from a range of covers and benefits (life, critical illness, life or critical illness, children's critical illness, income protection and waiver of premium cover) with different sums assured and plan terms to tailor protection for different needs and budgets;
- specialised cover, through the Diabetes Life Cover Plan;
- whole of life cover, through the Pegasus Plan, designed for clients thinking about inheritance tax, providing for their families after they are gone or making sure their businesses are protected against their death;
- business protection, through the Business Menu Plan, from which customers can choose a range of covers for business loans or to protect against the loss of a key person, partner, member or shareholding director; and
- Relevant Life Plan, which allows employers to give death-in-service benefits to their employees outside of a registered group life scheme.

The Protection new business sales in the UK in FY22 and FY21 are presented below:

	PVNBP		**New business contribution**		**New business margin**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
		(£m)			*(%)*	
Protection (UK)	1,037	1,251	11	39	1.1	3.1

Protection sales fell to £1,037 million (2021: £1,251 million) reflecting the increasing competition in a broadly stable market, with new business margin decreasing from 3.1 per cent. to 1.1 per cent. as a result of the lower volumes against a largely flat cost base.

Ireland

The Ireland business comprises the Group's Irish subsidiary, Royal London Insurance DAC ("**RLI DAC**"). It provides intermediated protection products and unit-linked pensions to individuals in the Republic of Ireland. RLI DAC also sells business assurance, including key person insurance, partnership insurance, co-director insurance and corporate co-director insurance.

New business sales in Ireland in FY22 and FY21 are presented below:

	PVNBP		New business contribution		New business margin	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
		(£m)			*(%)*	
Ireland	203	185	17	17	8.5	9.2

New business sales grew to £203 million (2021: £185 million) reflecting both an increase in protection sales to £198 million (2021: £185 million) and £5 million of pension sales, following the launch of a new pension product in September 2022. Enhanced application and underwriting processes helped to support the continued growth in the protection business. The reduction in new business margin to 8.5 per cent. (2021: 9.2 per cent.) reflects a change in business mix.

Capital management

The Royal London Mutual Insurance Society Limited

The fund structure of the Guarantor as at 31 December 2022 is illustrated as follows:

The Royal London Mutual Insurance Society Limited	
Royal London Main (Open) Fund	**Royal London (CIS) Sub-Fund**
Comprises:	
Royal London ESTATE	**RL(CIS) ESTATE**
Royal London OB	**RL(CIS) OB & IB Fund**
Royal London IB	
Refuge Assurance OB	
Refuge Assurance IB	**RL(CIS) With-Profits Pension and With-Profits Stakeholder Funds**
PLAL	
Royal Liver	
Scottish Life	
United Friendly IB	
United Friendly OB	

Surpluses in the RL(CIS) Closed Sub-Fund are ultimately for the benefit of the with-profits policyholders in that fund and do not belong to the Royal London Open Fund. In common with many in the industry, the Guarantor reports two key metrics: a 'regulatory view' where the closed funds' surplus in excess of the SCR is excluded from total own funds, and an 'investor view' for analysts and investors in its subordinated debt. The 'investor view' metric is equal to the Royal London Open Fund capital position, which excludes the closed fund's capital position. This metric is considered more appropriate as the RL(CIS) Closed Sub-Fund is run on a standalone basis. However, the closed fund's surplus does act as an additional and potentially significant buffer against the risk of the Royal London Open Fund having to support the RL(CIS) Closed Sub-Fund in stressed conditions.

Total assets by fund are shown in the table below. Figures quoted are asset balances, as measured on a Solvency II basis, within the funds as at 31 December 2022 and 31 December 2021, and do not represent UK GAAP total assets under management (£147 billion at 31 December 2022 and £164 billion at 31 December 2021).

	31 December 2022	31 December 2021
	(£bn)	
Royal London Open Fund	87.3	89.8
RL (CIS) Sub-Fund	23.4	31.7
Royal Liver Sub-Fund	n/a	2.0
Phoenix Life (PLAL) With-Profits Sub-Fund	n/a	0.5
RLI DAC Open Fund	0.1	0.1
Ireland Liver Fund	0.1	0.1
German Bond Fund	-	-

During 2021 and 2022 Royal London engaged with policyholders in six of its closed with profits funds (The Refuge Assurance Industrial Branch Fund, The United Friendly Industrial Branch Fund, The United Friendly Ordinary Branch Fund, The Scottish Life Fund, The PLAL With-Profits Sub-Fund and The Royal Liver Sub-Fund) with a view to offering a compromise of certain rights to the funds' Inherited Estates. By means of two separate alterations to the original transfer Schemes and five separate Schemes of Arrangement in the UK and Ireland, these funds were merged into Royal London's Open Fund during 2021 and 2022. This activity forms part of a wider drive to simplify Royal London's legacy business. The remaining RL(CIS) Closed Sub-Fund is ring-fenced and not part of the Royal London Open Fund. All new business is written into the Royal London Open Fund.

The Royal London Open Fund is entitled to a portion of the surplus from the RL(CIS) Closed Sub-Fund through rate card agreements concerning the ongoing administration and run costs.

The Irish Liver and German Bond funds are closed funds of RLI DAC, which is an insurance subsidiary of the Guarantor. These long term liabilities in these RLI DAC closed funds are reinsured into the Royal London Open Fund, with the residual assets shown in the table above covering current liabilities and regulatory capital requirements.

Self-sufficiency of the RL(CIS) Closed Sub-Fund

Surpluses in the RL(CIS) Closed Sub-Fund are ultimately for the benefit of its with-profits policyholders and do not belong to the Royal London Open Fund. Therefore the Group does not count the value of the surpluses in the RL(CIS) Closed Sub-Fund towards the published surplus of the Royal London Open Fund. However, this acts as an additional and potentially significant buffer against the risk of the Royal London Long-Term Fund having to support the RL(CIS) Closed Sub-Fund in stressed conditions.

One of the Group's key objectives is to manage the capital position of the RL(CIS) Closed Sub-Fund so that it is self-supporting and the surplus in it remains at least sufficient to meet its own capital requirements without unfairly holding back surplus from policyholders who exit. This self-sufficiency is measured on a Solvency II capital basis. Throughout 2022, the RL(CIS) Closed Sub-Fund has continued to be self-sufficient with no support required from the Royal London Open Fund.

Defined benefit pension schemes

The Group operates three funded defined benefit schemes, which are established under separate trusts: the Royal London Group Pension Scheme ("**RLGPS**"), the Royal Liver Assurance Limited Superannuation Fund ("**Royal Liver UK**") and the Royal Liver Assurance Limited (ROI) Superannuation Fund ("**Royal Liver ROI**"). The combined surplus on the three schemes decreased by £150 million to £207 million at 31 December 2022 (2021: surplus of £357 million).

The main defined benefit scheme for the Group is the RLGPS. On 1 September 2005, RLGPS was closed to new entrants and to future accrual of benefits on 31 March 2016. The surplus on the RLGPS pension scheme decreased to £112 million at 31 December 2022 (2021: £216 million).

As a result of the Royal Liver acquisition in 2011, the Group took responsibility for two further defined benefit pension schemes, namely, Royal Liver UK and Royal Liver ROI. Both schemes were closed prior to completion of the Royal Liver transaction and Royal Liver employees who participated in these schemes stopped earning additional defined benefit pensions with effect from 30 June 2011. The combined Royal Liver schemes' surplus decreased to £95 million at 31 December 2022 (2021: £141 million surplus).

The Group has established a defined contribution scheme for new employees joining the Group after 1 September 2005.

Capital strength

Firms that are authorised to write insurance, such as the Guarantor and RLI DAC, are required under Solvency II to hold assets to meet their technical provisions and regulatory capital requirements. Technical provisions combine best estimate liabilities for the policies they have written and a Risk Margin net of the benefit of the Transitional Measures on Technical Provisions. The excess of assets over technical provisions is called "own funds", with specific rules about what types of asset are eligible and the proportion of own funds that each type of eligible asset may represent. Such firms are also required to maintain sufficient own funds to meet the Solvency Capital Requirement ("**SCR**") under the Solvency II regime, under a standard formula or (if approved by the relevant prudential regulator) a Solvency II internal model basis. The Group uses an approved Solvency II Internal Model (as defined below) for the purpose of its Group calculation and solo calculation of the Guarantor and maintains capital at target levels over and above the SCR, in accordance with its stated risk appetite.

Reporting under Solvency II comprises:

- Guarantor (Solo);
- RLI DAC (Solo); and
- Guarantor (Group).

Solvency II Surplus

A Solvency II capital assessment involves a valuation in line with Solvency II principles of the own funds and a risk-based assessment of the SCR. The Group's own funds differ materially from the Group's UK GAAP fund for future appropriations for a number of reasons, including a number of valuation differences in respect of insurance contract liabilities and intangible assets.

The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5 per cent. over one year. This ensures that capital is sufficient to withstand a '1-in-200 year event'.

On 20 September 2019, the PRA approved a Group and solo application to use the Solvency II Internal Model for the calculation of the consolidated Group SCR as well as for the solo entity SCR of the Guarantor. The approval is for a partial internal model for both the solo entity (the Guarantor) and the Group. The Guarantor and the Group commenced using the Solvency II partial Internal Model with effect from 1 October 2019, with the capital requirements of the UK business being prepared on an Internal Model basis, but the Irish business (RLI DAC) remaining on a Standard Formula basis. The use of the Internal Model for the UK business makes capital requirements more reflective of the nature of this business and the Guarantor's management of risk and capital. RLI DAC calculates its SCR on a Standard Formula basis, and this remains appropriate due to its size and risks. Over 98 per cent. of the Group's capital requirement is calculated using the Internal Model.

All of the figures used below, including the sensitivity analysis, are calculated on a Solvency II internal model basis.

The Solvency II positions of the Guarantor at 31 December 2022 and 31 December 2021 are set out below[1]:

31 December 2022: Guarantor (solo) basis	**Investor View**	**Closed funds**	**Regulatory View**
		(£m)	
Own funds			
Tier 1	3,637	2,873	6,510
Tier 2	1,210	—	1,210
Tier 3	22	—	22
Total own funds	4,869	2,873	7,742
Closed funds restriction	—	(2,737)	(2,737)
Tier 2 and Tier 3 Own Funds restrictions	(152)	—	(152)
Adjusted own funds	4,717	136	4,853
SCR	2,024	136	2,160
Surplus	2,693	—	2,693
Cover ratio	233%	—	225%

31 December 2022: Group basis	**Investor View**	**Closed funds**	**Regulatory View**
		(£m)	
Own funds			
Tier 1	3,580	2,886	6,466
Tier 2	1,210	—	1,210
Tier 3	36	—	36
Total own funds	4,826	2,886	7,712
Closed funds restriction	—	(2,741)	(2,741)

[1] In common with the rest of the industry, two views of the capital positions are presented: an 'Investor View' (which is equal to the Royal London Main Fund capital position excluding ring-fenced funds), and a 'Regulatory View' where the closed funds' surplus in excess of the SCR is excluded from total available own funds and treated as a liability.

31 December 2022: Group basis	Investor View	Closed funds	Regulatory View
		(£m)	
Tier 2 and Tier 3 Own Funds restrictions	(143)	—	(143)
Adjusted own funds	4,683	145	4,828
SCR	2,200	145	2,345
Surplus	2,483	—	2,483
Cover ratio	213%	—	206%

31 December 2021: Guarantor (solo) basis	Investor View	Closed funds	Regulatory View
		(£m)	
Own funds			
Tier 1	3,737	4,340	8,077
Tier 2	1,535	—	1,535
Total own funds	5,272	4,340	9,612
Closed funds restriction	—	(2,897)	(2,897)
Adjusted own funds	5,272	1,443	6,715
SCR	2,259	1,443	3,702
Surplus	3,012	—	3,012
Cover ratio	233%	—	181%

31 December 2021: Group basis	Investor View	Closed funds	Regulatory View
		(£m)	
Own funds			
Tier 1	3,706	4,350	8,056
Tier 2	1,534	—	1,534
Tier 3	14	—	14
Total own funds	5,254	4,350	9,604
Closed funds restriction	—	(2,897)	(2,897)
Tier 3 restriction	(11)	—	(11)
Adjusted own funds	5,243	1,453	6,696
SCR	2,426	1,453	3,879
Surplus	2,817	—	2,817
Cover ratio	216%	—	173%

The Guarantor's capital position is robust on both solo and Group bases, reflecting the strength of its underlying business and effective capital management strategies.

The majority (more than 70 per cent.) of total own funds within the Open Fund is made up of Tier 1 Capital, with subordinated debt valued at £1,210 million at 31 December 2022 (£1,534 million at 31 December 2021) classified as Tier 2 Capital. Group Own funds within the RL(CIS) Closed Sub-Fund and RLI DAC closed funds are entirely Tier 1 Capital.

The sensitivity of the Group's Investor and Regulatory surplus for a number of financial scenarios is provided below, assuming the stress occurred on 31 December 2022 and 31 December 2021 and that TMTP would be recalculated under each scenario:

	Group	
	31 December 2022	**31 December 2021**
	(£m)	
Base:	2,483	2,817
25% decrease in all equity investments	2,310	2,500
15% decrease in property prices	2,400	2,718
100bps rise in interest rate	2,360	2,765
100bps fall in interest rate	2,656	2,781
25bps increase in government bond yields	2,438	2,769
200bps widening in credit spreads	2,432	2,971
15% fall in GBP exchange rates	2,563	2,925
20% increase in GAO take-up rate	2,435	2,695
Two-year increase in future life expectancy	2,292	2,292
35% increase in future persistency rates	2,128	2,604
12.5% one-off increase in surrender/transfer rate	2,106	2,548
15% increase in maintenance expenses	2,201	2,545

Minimum Capital Requirement ("MCR")

The MCR is calculated on a monthly basis according to a formula prescribed by the regulations and is subject to a floor of 25 per cent. of the SCR or €4.0 million, whichever is higher, and a cap of 45 per cent. of the SCR. The MCR formula is based on factors applied to the technical provisions and capital at risk as at the point of calculation.

Before any cap/collar is applied, the Group MCR was calculated to be £186 million as at 31 December 2022 (£270 million at 31 December 2021). However, Solvency II regulations prescribe that the MCR has to fall within a range of 25 per cent. to 45 per cent. of the SCR. Hence the value of the Group MCR as at 31 December 2022 is £557 million (£942 million as at 31 December 2021), consistent with the lower limit.

Risk governance structure

The Board is responsible for the Group's system of risk management and internal control, as well as for reviewing its effectiveness. The system is designed to identify, assess and control risks, and to manage and mitigate the risks of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The Group's system of governance comprises risk management, risk appetite, risk policies, internal control and monitoring activities, along with the internal environment, including the Group's philosophy, culture and behaviours. The Group has a formal governance structure of committees to manage risk, reporting to the Board, and accountability has been further strengthened through the implementation of the Senior Managers & Certification Regime ("**SMCR**").

Risk management is an integral part of the Group's corporate agenda and employees at all levels have risk management responsibilities. The Group's primary objective in undertaking risk management is to ensure that the achievement of the Group's performance and objectives is not undermined by unexpected events and that sufficient capital is maintained. On an ongoing basis, the risk management system, in conjunction with the SCR, the Solvency II Internal Model, the risk register and the Own Risk and Solvency Assessment, was and continues to be used to help identify, mitigate, monitor and quantify significant risks to which the Group is exposed.

This approach enables the early identification of risks and, through an assessment of likelihood and impact, the Group seeks to understand fully the dimensions of the exposures it faces. In response to unacceptable exposures, targeted action plans are put in place.

Governance and risk management

The Group's governance structures for risk management are based on the 'three lines of defence' model. Primary responsibility for risk management lies with the business units and specialist operational process functions. A second line of defence is provided by the Group's independent Risk and Compliance function; specialist in nature, it undertakes monitoring, challenge and manages policy setting. The third line of defence is provided by Group Internal Audit, which provides independent assurance.

The Group has established committees and procedures for managing risks, including a Risk and Capital Committee, Audit Committee, Investment Committee, Group Executive Risk Committee, Capital Management Committee, Internal Model Governance Committee and Customer Committee, as described below, together with a description of the Group's risk appetite. Regular reporting on risks and mitigating actions is undertaken by individual business units through the Group Executive Risk Committee to the Risk and Capital Committee.

Audit Committee

The Audit Committee is a committee of the Board. The role of the Committee is to support the Board in overseeing financial reporting, regulatory reporting, financial controls, internal and external audit, treasury operations, actuarial operations and tax operations.

The Committee has a non-executive Chair. The Committee is comprised solely of independent non-executive directors, including at least one member of the Risk and Capital Committee.

Risk and Capital Committee

The Risk and Capital Committee is a committee of the Board. The role of the Committee is to support the Board in managing risk and capital and in complying with prudential and conduct regulations.

The Committee has a non-executive Chair. The Committee is comprised solely of independent non-executive directors, including at least one member of the Audit Committee.

Investment Committee

The Investment Committee is a committee of the Board. The role of the Committee is to support the Board in managing investments held as principal, in a manner that is consistent with the Company's Investment Philosophy and Beliefs.

The Committee has a non-executive Chair. The Committee comprises at least three members of which at least two are independent members or non-executive directors.

Remuneration Committee

The Remuneration Committee is a committee of the Board. The role of the Committee is to support the Board in determining the Group's remuneration policy and the compensation of the Company Chairman, Executive Directors and Designated Employees.

The Committee has a non-executive Chair. The Committee is comprised of at least three directors all of whom are independent non-executive directors or the Company Chairman.

With-Profits Committee

The role of the Committee is to consider the interests of all policyholders in the Royal London Group who are entitled to share in the profits of the Group and exercise independent judgement in advising the Board on how to allocate profits to them fairly.

The Committee has a non-executive Chair. The Committee comprises at least five and no more than seven members, the majority of whom will be independent members. At least one independent member will be a Fellow of the Institute and Faculty of Actuaries. For this purpose a Director of the Company will not be deemed independent.

Group Executive Risk Committee

The role of the Committee is to support the Group Chief Executive by giving consideration to, and developing proposals and recommendations in respect of, areas within the risk management system.

The Committee is chaired by the Group Chief Risk Officer and reports to the Group Chief Executive.

Capital Management Committee

The role of the Committee is to support the Group Chief Financial Officer by giving consideration to, and developing proposals and recommendations in respect of, economic and regulatory requirements, investment strategies, performance and decisions, balance sheet risk, derivatives, and risk appetite related to market, credit and liquidity risks, policies and reporting.

This committee is chaired by the Group Chief Actuary.

Internal Model Governance Committee

The role of the Committee is to advise the Group Chief Risk Officer in relation to the monitoring and oversight of the internal model. This includes all model changes together with other matters such as the design, appropriateness, performance and validation of the model. The Chair of the Committee reports to the Risk and Capital Committee on its governance over model changes.

Customer Committee

The role of the Committee is to support the Group Chief Executive in overseeing customer outcomes in relation to the Group's customer strategy. It provides a challenge over business practices relevant to the Group's strategic customer objectives and conduct regulatory requirements.

The Committee is chaired by the Group Chief Customer Officer and reports to the Group Chief Executive.

Group risk appetite framework

The Group's risk appetite framework consists of three components:

- the risk strategy, together with risk preferences, defines the types of risks the Group aims to take or avoid in the pursuit of its business objectives and sets the boundaries within which its risk appetite will operate;
- the risk appetite statements explain how much risk the Group is prepared to be exposed to in relation to each risk category outlined in the risk strategy and why; and
- the risk metrics help to measure the amount of risk the Group is exposed to against risk appetite.

Each metric has inbuilt threshold limits designed to provide an early warning of when the Group is approaching its risk appetite limits. The risk appetite statements and metrics have been constructed around the following four high-level risk categories that are considered core to the Group's business:

Category	Risk Appetite Statement
Capital	The Group will maintain a strong and credible capital position supported by good-quality assets. The Group will hold sufficient capital to meet its regulatory requirements and fulfil its promises to policyholders on an ongoing basis. The amount of capital held will allow for the potential variability and risks to capital and the expected impact from new and existing business plans.
Liquidity	The Group will maintain an appropriate composition of assets in terms of their type, duration and liquidity in order to meet liabilities as they fall due. From a short-term liquidity risk perspective the Group will hold an adequate stock of liquid assets ('liquidity buffer'), sufficient to meet liabilities as they fall due. The amount of liquidity buffer held will allow for the potential variability and risks to liquidity, under both normal and stressed conditions in the context of the time horizon being considered, which will generally be less than 12 months. From a long-term liquidity risk perspective, the Group will reduce the risk of being unable to meet its liabilities as they fall due or only being able to do so at a significant loss, through management of the composition of assets.
Insurance Risk	The Group will apply strong insurance risk management disciplines for new and existing business. The Group has an appetite to write long term insurance business that includes insurance risk, provided the price charged for that risk is greater than the expected cost. This expected cost includes the cost of any capital associated with acquiring the risk. New risks will be: • Selected with due consideration to the existing risk portfolio.

	• Priced to a level that reflects their cost. • Only accepted where the Group has suitable expertise to manage or mitigate them.
Operational	The Group will operate strong controls to minimise impacts on customers, reputation and capital, and make risk-based decisions that are aligned to the Group's purpose. Exposure to operational risk is inherent in the Group's activities and a consequence of other risk taking. The Group will develop, implement and monitor strong controls to minimise material losses, compromise of its systems and data, or residual risk exposures that could result in an increase in its regulatory capital or threaten its business plan, customers or reputation.

Ratings of the Guarantor and the Notes

At the date of these Admission Particulars, the Guarantor is rated A2 (stable outlook) by Moody's for financial strength and has a counterparty credit rating of A (stable outlook) from S&P.

The Notes are expected to be rated BBB by S&P and Baa3 by Moody's.

The credit ratings of the Guarantor and the Notes referred to and included in these Admission Particulars have been issued by S&P and Moody's.

Legal Proceedings

From time to time, the Guarantor and the Group may become involved in threatened or actual legal proceedings relating to claims arising out of its operations in the normal course of business. However, there are currently no material legal proceedings which would have a material adverse effect on the Guarantor's business or the Group.

Related Party Transactions

Subsidiary companies in the Group perform the administration and investment management activities of the Guarantor. The Guarantor is charged fees for these services under management services agreements and, for business transferred to the Guarantor, in accordance with the appropriate scheme of transfer.

DIRECTORS OF THE GUARANTOR

The following is a list of directors of the Guarantor. Their biographies below specify their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Guarantor, as at the date of these Admission Particulars.

Directors

Name	Function
Kevin Parry OBE	Chairman
Barry O'Dwyer	Group Chief Executive
Daniel Cazeaux	Group Chief Financial Officer
Ian Dilks, OBE	Non-Executive Director
Sally Bridgeland	Non-Executive Director
Kal Atwal	Non-Executive Director
Tim Tookey	Non-Executive Director
Mark Rennison	Non-Executive Director
Shirley Garrood	Non-Executive Director
Baroness Ruth Davidson PC	Non-Executive Director
Jane Guyett	Non-Executive Director
Pars Purewal	Non-Executive Director
Eithne McManus	Non-Executive Director

Certain of the Directors may also be directors of other companies within the Group from time to time. The business address of the directors is 80 Fenchurch Street, London EC3M 4BY.

See also "*Description of the Guarantor – Board and Leadership changes*".

Conflicts of interest

There are no potential conflicts of interest between the duties of each of the Directors to the Guarantor and his/her private interests or other duties.

Kevin Parry OBE, Chairman

Kevin Parry was appointed to the Board on 19 March 2019. He is Chairman of the Nominations and Governance Committee, co-Chairman of the Disclosure Committee, and an attendee at other Board Committees. He is a Chartered Accountant and has deep financial services experience as an executive and non-executive director encompassing life insurance, banking and asset management. His former appointments include as a Non-Executive Director and Audit Committee Chairman at Schroders plc and subsequently as their Chief Financial Officer, Chief Executive of Management Consulting Group plc and a managing partner at KPMG. He has also served as Chairman of Intermediate Capital Group plc, Senior Independent Director and Chairman of the Audit Committee at Standard Life Aberdeen plc and Non-Executive Director of Knight Frank LLP. His principal current external appointments are Chairman of Nationwide Building Society and Non-Executive Director of Daily Mail and General Trust plc, Chairman of its Audit and Risk Committee and member of its Investment and Finance Committee. He was awarded an OBE in 2017 for services to vulnerable children.

Barry O'Dwyer, Group Chief Executive

Barry O'Dwyer was appointed to the Board on 8 January 2020. He is an actuary with extensive financial services experience in the UK and Ireland. He began his career at Standard Life in 1988, when it was a mutual. In 2008, he moved to HBOS and shortly afterwards to Prudential UK & Europe, where he became Deputy CEO. He returned to Standard Life in 2013, where he became CEO of Standard Life's platform, pensions and savings businesses. He joined the Board of Standard Life plc in 2017. Following their merger with Aberdeen Asset Management, he was the head of Standard Life Aberdeen's UK business before joining Royal London. He plays a prominent role in the industry as President of the Board of the Association of British Insurers.

Daniel Cazeaux, Group Chief Financial Officer

Daniel Cazeaux joined Royal London in June 2020. He was appointed to the Board on 22 September 2020. He is a member of the Disclosure Committee, the Investment Committee and the With-Profits Committee, and a director of Royal London Insurance DAC (Royal London's business in Ireland). He is a Chartered Accountant and from 2008 to 2020 was a Partner at KPMG in the UK where he led global client teams delivering audit services to UK and global insurance companies, as well as advising on finance change programmes and transactions. In his time at KPMG he also performed executive secondment roles into finance functions of large UK insurers and has deep rooted specialist and commercial expertise.

Ian Dilks OBE, Independent Non-Executive Director and Senior Independent Director

Ian Dilks was appointed to the Board on 14 November 2014 and became the Senior Independent Director on 3rd June 2021. He is Chairman of the Investment Committee, and a member of the Audit Committee, the Nominations and Governance Committee and the Remuneration Committee. He is a Chartered Accountant and spent his entire professional career at PricewaterhouseCoopers LLP (PwC), joining the firm (which was then Coopers & Lybrand) in 1974, becoming a Partner in 1986. He rose to become a member of the Global Financial Services leadership team and global insurance leader. He has deep experience of the insurance sector gained through providing audit, advisory and transaction support services to a wide range of major UK and international insurance groups. From 2010 to 2013 he had responsibility for the public policy and regulatory affairs of the PwC global network. He is also a former Expert Adviser to the House of Commons Treasury Committee. From 2014 to 2020, he was Chair of NHS Resolution, an arm's-length body within the NHS. His current appointments include Chair of the Care Quality Commission, the independent regulator of health and social care in England. He was awarded an OBE in 2020 for services to the NHS.

Sally Bridgeland, Independent Non-Executive Director

Sally Bridgeland was appointed to the Board on 14 January 2015. She is Chair of the With-Profits Committee, a member of the Nominations and Governance Committee, and a member of the Risk and Capital Committee. An Actuary by profession, Sally has extensive experience in investment management and pensions, serving as a trustee of the Nuclear Liabilities Fund, NEST Corporation and the Lloyds Bank pension schemes. She was Chief Executive Officer of the BP Pension Scheme from 2007 to 2014 after 20 years with Aon Hewitt working both as a pensions and investment consultant and in research and innovation. She is a Fellow of the Institute of Actuaries and the Board benefits from her extensive knowledge of asset liability modelling, along with investment strategy design and implementation. She is currently Chair of Impax Asset Management Group plc and certain of its subsidiaries, a Non-Executive Director and Chair of Local Pensions Partnership Investments Limited, a Non-Executive Director of Pension Insurance Corporation plc and a Non-Executive Director of Royal & Sun Alliance Insurance Limited and RSA Insurance Group Limited. She is also a Committee Member of the Nesta Trust charity's investment committee and holds offices with livery companies, associations affiliated with the RAF, and educational bodies.

Kal Atwal, Independent Non-Executive Director

Kal Atwal was appointed to the Board on 17 January 2020. She is an experienced strategy leader with international experience in start-up, scale-up, fintech and digital businesses. She began her career at EY on placement in Madrid after which she held a number of operational and strategic roles with Southern Derbyshire Chamber and Northcliffe Media Ltd. She joined BGL Group when the company took over Bennetts, the motorcycle insurance business where she held the position of managing director. She then became the founding managing director of comparethemarket.com, a division of BGL. Following her promotion to Group Director of BGL Ltd, she was responsible for brand-led businesses, Group Strategy and Corporate Communications. Kal is currently a Non-Executive Director at Admiral Financial Services Limited, Whitbread plc and WH Smith plc and Board Adviser to SimplyCook Limited. She is a member of the Nominations and Governance Committee, the Risk and Capital Committee and the Investment Committee.

Tim Tookey, Independent Non-Executive Director

Tim Tookey was appointed to the Board on 6 April 2020. He is Chairman of the Audit Committee, and a member of the Risk and Capital Committee and of the Nominations and Governance Committee. He is a Chartered Accountant with strong experience of major retail financial organisations and significant Board experience. He was Chief Financial Officer of Quilter plc (previously known as Old Mutual Wealth Management Limited) and other former appointments include as Chief Financial Officer at Friends Life Group Limited, a position he held from 2012 until the sale of the business to Aviva in April 2015, Group Finance Director of Lloyds Banking Group, Finance Director of Prudential plc's UK business and Group Finance Director at Heath Lambert Group. Until his retirement from the Board in July 2022, he served as a Non-Executive Director of Nationwide Building Society, including as Chair of its Risk Committee.

Mark Rennison, Independent Non-Executive Director

Mark Rennison was appointed to the Board on 25 September 2020. He is Chairman of the Risk and Capital Committee, and a member of the Audit Committee and of the Nominations and Governance Committee. He is a Chartered Accountant with significant experience of working both with and for large financial services organisations. He was Chief Financial Officer at Nationwide Building Society for 12 years and, prior to that, worked at PricewaterhouseCoopers LLP for more than 25 years, including 12 years as a Partner in its banking practice. He is a former member of the Bank of England's Prudential Regulation Authority Practitioner Panel and former Chair of the UK Finance Financial Risk and Policy Committee. He is currently a Non-Executive Director at Homes England, where he is Chairman of the Investment Committee and Home Ownership Committee and serves on the Audit and Risk Committee and the Change Committee. He is also a Non-Executive Director of both TSB Bank plc and TSB Banking Group plc, serving as Chairman of their Audit Committee and as a member of their Risk, Nomination and Technology Strategy Committees.

Shirley Garrood, Independent Non-Executive Director

Shirley Garrood was appointed to the Board on 10 December 2020. She is a member of the Nominations and Governance Committee and the Chair of Royal London Asset Management Holdings Limited and Royal London Asset Management Limited. She is a Chartered Accountant and Corporate Treasurer with extensive executive and non-executive financial services experience. Prior to joining Royal London, she was Senior Independent Director and Chair of the Risk Committee at Hargreaves Lansdown plc. Her former roles include Chief Financial Officer of Henderson Group plc from 2009-2013 and then Senior Independent Director, Deputy Chair and Chair of the Audit Committee at esure Group plc until 2019. As well as working in financial roles, she was previously Chief Operating Officer at Henderson Group plc and at Morley Fund Management (part of Aviva). She also served as a governor of the Peabody Trust housing association. Ms Garrood will step down from the Board at the end of the AGM to be held on 6 June 2023. She is a Non-Executive Director and Chair of the Audit and Risk Committee of the BBC Board, an Independent Non-Executive on the Deloitte Audit Governance Board providing oversight of the external audit and assurance business only, Non-Executive

Director of Ashmore Group plc, Chair of its Audit and Risk Committee and a member of its Nominations and Remuneration Committees.

Baroness Ruth Davidson PC, Independent Non-Executive Director

Baroness Davidson was appointed to the Board on 8 June 2021. She has extensive experience in the political frontline, leading the Conservative Party in Scotland and playing key roles in the referendum campaigns surrounding Brexit and Scottish independence. A regular attendee at political cabinet, she was a key adviser to two Prime Ministers on constitutional issues. She was appointed to the Privy Council in 2016 and joined the House of Lords in 2021 as Baroness Davidson of Lundin Links. She is committed to championing better environmental, social and governance practices and has worked extensively in promoting diversity across a wide range of organisations. She is a member of the Nominations and Governance Committee and the Remuneration Committee.

Jane Guyett CBE, Independent Non-Executive Director

Jane Guyett was appointed to the Board on 4 August 2021. She is Chair of the Remuneration Committee, a member of the Risk and Capital Committee and a member of the Nominations and Governance Committee. She has significant knowledge and experience of financial markets and corporate governance in the UK and globally. She has held senior roles with Bank of America Merrill Lynch in London and New York and was also Chief Operating Officer (EMEA and Asia) of the Global Markets Group and sat on the Board of Bank of America Securities. She was a Non-Executive Director of UK Financial Investments Limited until 2018, advising the UK Government on its shareholdings in FTSE financial services companies. She is the Senior Independent Director of UK Government Investments Limited, an Independent Non-Executive Director of LCH Limited and Banque Centrale de Compensation SA, Paris, Chair of Connect Plus (M25) Limited, and an Independent Non-Executive Director of BDO LLP, including as a member of its Public Interest Committee. She was awarded a CBE in 2021 for Services to the Economy.

Pars Purewal, Independent Non-Executive Director

Pars Purewal was appointed to the Board on 8 February 2023. He is a member of the Nominations and Governance Committee and Director of Royal London Asset Management Holdings Limited and Royal London Asset Management Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He retired as a senior partner of PricewaterhouseCoopers LLP (PwC) after a career of over 37 years, including 10 years as PwC UK Asset Management leader and Finance Partner for both Asset and Wealth Management. He has deep experience of asset management gained through providing audit and advisory services at PwC. Following his retirement from PwC, he served on the boards of directors of Brewin Dolphin Holdings plc and Federated Hermes Limited, respectively, until September 2022. He is an Independent Non-Executive Director of The Law Debenture Corporation plc, Chair of its Audit and Risk Committee and a member of its Nomination and Remuneration Committees. He is also an Independent Non-Executive Director of Finsbury Growth & Income plc and a member of its Audit and Risk, Nomination and Remuneration Committees. He also chairs the Board of Trustees of Beyond Food Foundation.

Eithne McManus, Independent Non-Executive Director

Eithne McManus was appointed to the Board on 1 April 2023. Eithne is a Fellow of the Institute of Actuaries, a Chartered Enterprise Risk Actuary, and is an experienced Non-Executive Director in the life and pensions industry. During her executive career, she was Chief Executive of City of Westminster Assurance, having previously acted as Chief Financial Officer and as UK Actuary. Eithne has since held Non-Executive Directorships at a number of organisations such as Countrywide Assured, LGPS Central and SCOR Ireland. She has a strong affinity with the mutuals sector, having served as a Non-Executive Director of UIA Insurance. Eithne has a deep understanding of with profits. She chairs the With Profits Committee at Countrywide Assured and has recently stepped down as an Independent Member of the With Profits Committee at the Prudential Assurance Company. She is currently Independent Non-Executive at Countrywide Assured PLC and SCOR Ireland DAC, Director at Alban Actuarial Solutions. It is anticipated that she will succeed Sally Bridgeland as Chair of the With Profits Committee from 1 December 2023.

REGULATORY OVERVIEW

The operations of the Group are primarily in the UK but include activities in Ireland carried out through a subsidiary, RLI DAC. The regulation of the Group's activities requires any companies carrying on specified activities to obtain permission, authorisation and/or a licence to carry on such activities and to comply with detailed prudential and conduct of business rules. Below is an overview of the regulatory framework for the insurance industry in the UK. Reference is also made to non-UK laws and regulation where appropriate.

Brexit has resulted in changes to the UK and EU's regulatory systems, and further changes may occur over time. Changes to law and regulation in the EU may also affect the regulation of UK business if the UK and EU regulatory systems diverge. The Group continues to consider the potential implications of the post-Brexit environment and has taken steps such as seeking legal advice, engaging in resource planning and ensuring that appropriate procedures are in place while the uncertainty continues. For further information, see "*Risk Factors – Risks relating to the Group – Economic Risks – The Group's business is subject to risks arising from economic conditions in the UK and other markets in which its policyholders' investments are invested. Adverse developments could cause the Group's earnings and profitability to decline*".

Overview of UK and other regulation

PRA and FCA

The Guarantor is regulated by both the PRA and the FCA and must comply with the rules and guidance made by the PRA and FCA under the FSMA and set out in their respective handbooks, according to each regulator's scope and powers.

The PRA has responsibility for carrying out the prudential regulation of insurance companies, banks and PRA-designated investment firms. The PRA has a general objective of promoting the safety and soundness of the firms it regulates on the basis of its Fundamental Rules and a specific "insurance objective" of contributing to the securing of an appropriate degree of protection for those who are or may become policyholders of a PRA-authorised insurer. The PRA also has a secondary competition objective, which means that, when discharging its general functions in a way that advances its objectives, the PRA must so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities.

The FCA regulates the conduct of every authorised firm (including firms who are also regulated by the PRA). The FCA's "operational objectives" are to secure an appropriate degree of protection for consumers, protect and enhance the integrity of the UK financial system and promote effective competition in consumers' interests.

As part of its Future Regulatory Framework Review (see the "*Future Regulatory Framework Review*" section below), the UK government has proposed introducing a new statutory objective for both the FCA and PRA requiring them to act in a way which facilitates the long-term growth and international competitiveness of the UK economy (including the financial services sector).

The PRA and FCA have continued the more direct style of regulation adopted by the FSA following the onset of the financial crisis. This strategy, combined with an outcome-focused regulatory approach, more proactive approach to enforcement and more punitive approach to penalties for infringements means that authorised firms continue to face increased supervisory intervention and scrutiny (resulting in increased internal compliance costs and supervision fees). There continue to be risks and uncertainties as to how the PRA and FCA will interact with each other over the regulation of the same legal entities, particularly in relation to entities that have written With-Profits Business, where regulation is divided between the two regulators.

The PRA and FCA expect authorised firms to avoid actions that jeopardise compliance with their statutory objectives. When the PRA and FCA are concerned that a firm may present a risk, this may lead to consequences, including the requirement to maintain a higher level of regulatory capital to match higher perceived risks (via capital "add-ons" under Solvency II), and enforcement action where the risks identified breach the PRA and FCA's high level principles or more prescriptive rules.

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 Businesses (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 matters including 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 PRA and FCA.

Future Regulatory Framework Review

In July 2019, the UK government launched a review of how financial services policy and regulation are made in the UK following Brexit, known as the "Future Regulatory Framework Review". The UK government is not proposing to change the core elements of the FSMA model, as a part of this review, but it may result in some changes to the division of responsibilities between Parliament, HM Treasury and the PRA and FCA. In particular, more power may be devolved to the PRA and FCA to develop and maintain regulatory requirements for firms, including most of the EU standards that were incorporated within UK law at the end of the Brexit transition period. The regulators would, however, operate within a policy framework created by Parliament and HM Treasury and would be accountable to, and scrutinised by, them. The review may also result in some adjustments to the regulators' objectives, with HM Treasury having proposed the introduction of new secondary objectives for the PRA and the FCA relating to growth and international competitiveness. Changes to FSMA would be required to implement the various measures that have been proposed. In July 2022, HM Treasury published a consultation response on the review, in which it indicated that the government's final policy to implement the review is laid out in the Bill and accompanying Impact Assessment and Explanatory Notes. Amongst other things, the Bill contains provisions which would allow for the delegation of more rule-making powers to the UK regulators and give them a secondary objective for growth and international competitiveness, as discussed above.

Prudential standards

It is a fundamental requirement of the PRA's prudential rules that an insurance company maintains adequate financial resources for the carrying on of its business. This requirement and the obligation for an insurer to carry out a risk-based assessment of its own capital requirements are contained in the PRA Rulebook.

The PRA Rulebook covers the overall requirement to have adequate financial resources (referred to as eligible own funds) to satisfy the technical provisions, minimum capital requirement and solvency capital requirement and sets out what constitutes eligible own funds and how different insurers should calculate their capital requirement. For further information, see the paragraph headed "*Solvency II Directive*" below.

The Central Bank of Ireland ("**CBI**") has implemented laws and regulations relating to capital requirements and utilises a risk-based framework for the supervision of regulated firms.

Provisions relating to the requirement to manage risks in general and details relating to management of particular types of risk are set out in the PRA Rulebook and in the Senior Management Arrangements, Systems and Controls Sourcebook ("**SYSC**") of the FCA Handbook. There are rules in SYSC which elaborate on the Principles for Business and aim to encourage senior managers and directors to take appropriate practical responsibility for an insurer's affairs. Other rules in SYSC are intended to ensure that:

- the insurer's employees have suitable skills, knowledge and expertise;
- the insurer has in place appropriate risk management systems and controls; and
- the insurer has in place appropriate compliance, record-keeping and audit systems.

Conduct of Business Regulation

Conduct of Business requirements for insurance business

The FCA's Conduct of Business Rules, set out in ICOBS and COBS, apply differing requirements to the sale of (i) general and pure protection insurance contracts and (ii) long-term insurance contracts that function as savings and investment vehicles, respectively. Authorised firms which advise on and sell insurance products 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. These include:

- a ban on commission for advised sales of investment products. Except in relation to pure protection products, and non-advised and execution only sales, adviser firms are not permitted to receive commission set by product providers in return for recommending their products, but must instead operate their own fee-based charging tariffs for advising clients. The cost of advice must be agreed between the customer and the adviser; and
- requirements to describe the nature of the advice being provided. Where an adviser offers advice on a restricted product range or from a restricted range of product providers, this will need to be made clear.

These conduct of business rules are supplemented by the FCA's Principles for Businesses (the "**Principles**"), including the principle that firms should provide information to consumers which is clear, fair and not misleading and treat customers fairly (see the "*Conduct of Business; Treating customers fairly and with-profits*" section below). The Principles are actionable as rules by the FCA. In recent years, the conduct of sales of insurance products has come under greater scrutiny, resulting in an increase in the fines levied on firms by the FCA and compensation orders made against firms by the FOS for breaches of the conduct of business rules and the Principles. The prime example is the extensive regulatory review and subsequent fines levied and compensation orders made in relation to the sale of payment protection insurance products.

In general, the FCA's Conduct of Business Rules govern the sale of new policies. However, they also include rules applicable in the course of administration of in-force policies by the Guarantor relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- treating with-profits policyholders fairly; and
- pensions transfers and the open market option,

which may apply regardless of whether or not the insurer is actively selling its products.

Conduct of Business: Treating customers fairly and with-profits

One of the operational objectives of the FCA, as established by the FSMA, is securing the appropriate degree of protection for consumers. Consequently, the fair treatment of customers is a key objective for the FCA and all authorised insurance companies are under a regulatory duty to pay due regard to the interests of their customers and treat them fairly. This duty exists alongside other, more specific, rules contained in the prudential regime and is increasingly being seen by the regulator and authorised insurance companies as governing all aspects of an insurance company's dealings with its customers. Except in relation to with-profits policyholders, the meaning of the duty has not been further defined beyond the ordinary English meaning of the word "fair" although the regulator has published examples of what in their view constitutes fair treatment in a series of case studies.

On 14 May 2021, the FCA published a consultation paper (CP21/13) proposing to introduce a new "consumer duty" on firms that provide services to retail clients, that would set higher expectations for the standard of care that firms provide. The duty will require relevant firms to ask themselves what outcomes consumers should be able to expect from their products and services, act to enable rather than hinder those outcomes and assess the effectiveness of their actions. The FCA published a second consultation paper on 7 December 2021 (CP21/36) and have issued a policy statement and finalised guidance on 27 July 2022 (PS22/9). The rules set out in the FCA's policy statement are designed to provide clarity on the FCA's expectations under the new Consumer Principle, which requires firms to act to deliver good outcomes for retail customers. These rules and guidance will come into force on a phased basis: for new and existing products or services that are open to sale or renewal, the rules will come into force on 31 July 2023 and for closed products or services, the rules will come into force on 31 July 2024.

The PRA and FCA have published a Memorandum of Understanding which sets out how the two regulators intend to 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.

In relation to With-Profits Business, detailed rules to ensure with-profits policyholders are treated fairly are set out in COBS 20.2. The rules govern, among other things:

- the calculation of amounts payable to with-profits policyholders;
- distributions from the With-Profits Fund (including the levels of reduction in distribution to policyholders which require prior notification to the FCA and policyholders) and excess surplus (which is required to be distributed to policyholders);
- market value reductions to a with-profits policy on surrender;
- charges which may be made to With-Profits Funds;
- new business and material changes to the fund (with a requirement to ensure new business or material changes are not detrimental to existing with-profits policyholders);
- investment strategy of fund assets; and
- the process for altering or clarifying the interests of policyholders and other interested parties in the surplus assets maintained in the fund (reattributions).

There is also the obligation to maintain written principles and practices of financial management for each With-Profits Fund which aim to ensure fairness to policyholders by setting out the firm's approach to managing the fund.

The rules seek to establish clarity regarding the participation of with-profits policyholders in surpluses arising within the fund referring to the percentage required by the constitution of the insurer, failing which, the firm's established practice, failing which, a default position for both mutual and proprietary companies applies, being an interest of not less than 90 per cent. of the total amount distributed. Firms are required to take reasonable care to ensure all aspects of operating practice are fair to the interests of with-profits policyholders and do not lead to an undisclosed, or otherwise unfair, benefit to shareholders or to other persons with an interest in the With-Profits Fund including, in the case of mutuals, the members of the mutual.

When accepting new business in a With-Profits Fund, such new business should have "no adverse effect" on with-profits policyholders' interests. Firms must provide appropriate analysis and evidence to support their conclusions. Guidance states, however, that new business is not automatically adverse and certain factors (such as new business being financially self-supporting) indicate that new business is not adverse, whilst others (such as business priced on loss making terms) indicate that the new business will be adverse.

Guidance states that where there is a conflict of interest (e.g. between with-profits policyholders and the Solvency II insurer) the Solvency II insurer must ensure that a strategic investment is made in the best interests of policyholders. It is expected that a Solvency II insurer such as the Guarantor applying the provisions in PRA Rulebook, Solvency II Firms, Investments, in this manner will lead to with-profits policyholders being treated no less fairly than if the Solvency II insurer was not a Solvency II insurer. Restrictions on strategic investments for non-Solvency II with-profits firms (against which this expectation for Solvency II insurers will be measured) require that the firm's governing body must be satisfied, so far as it reasonably can be, and can demonstrate, that the purchase or retention of strategic investments is likely to have "no adverse effect" on the interests of with-profits policyholders. Guidance to this rule requires analysis of, amongst other things, the relative size of the investment, rate of return, investment risks, costs of divestment and the view of the with-profits actuary. This could present challenges for an insurer where its With-Profits Fund holds a "strategic investment" which is connected in some way with the firm's business, e.g. an office building used by the firm, or stakes in businesses whose commercial interests are aligned with those of the firm's owners, such as investment management companies or general insurance subsidiaries and advisory businesses, and will increase the amount of scrutiny required to maintain and invest in such strategic investments. This may cause particular difficulties for mutuals such as the Guarantor which have no other funds in which those investments can be held.

Impact on Mutual Insurers, such as the Guarantor

COBS 20 applies to mutual with-profits insurers in the same way as it does to proprietary insurers.

In 2008, the FSA launched what was termed "Project Chrysalis" and, in this context, published "Dear CEO" letters in October 2009 and September 2010 which related to the fair treatment of with-profits policyholders in mutually-owned With-Profits Funds. Many mutual firms expressed concerns to the FSA that the proposed amendments to COBS 20 would cause particular difficulties for mutuals. The industry also questioned the reasoning applied by the FSA in Project Chrysalis in determining the interests of policyholders in the with-profits fund.

In December 2012, the FSA published a consultation paper (CP12/38) entitled "*Mutuality and with-profits: a way forward*", which dealt with the issues faced by mutual insurers under the COBS 20 regime. In March 2014, the FCA published a policy statement (PS14/5) and the PRA published a supervisory statement (SS1/14) in response to comments received during the consultation process.

The FCA policy statement confirmed a more positive outcome for mutuals operating a single common fund, by: (i) recognising that mutuals limited by guarantee (such as the Guarantor) may use solvent schemes of arrangement, under the Companies Act 2006, to identify the separate interests of policyholders and members, and (ii) setting out a new process for mutuals to apply to the FCA for a rule modification limiting the application of COBS 20 to that part of the common fund in which policyholders have an interest.

The modification option described above is in the COBS 20 rules which describe the expected process for seeking waivers and the FCA's requirements before granting a waiver including a report by an independent expert on the likely impact of the proposals on policyholders. It is available to all mutuals as defined in the FCA Handbook, i.e. insurers which are body corporates with no share capital (except wholly owned subsidiaries with no share capital but limited by guarantee), friendly societies and industrial and provident societies. The PRA supervisory statement explains how the PRA's process for these waivers will work, including how it will co-ordinate with that of the FCA, and explains the additional information which the PRA expects to receive including a business plan and projected capital requirements.

Mutuals seeking a rule modification will have to satisfy several tests in addition to the statutory requirements under the FSMA which include demonstrating the modification will not amount to a reattribution, will be fair to with-profits policyholders and consistent with their due benefits, will comply with the constitutional documents of the mutual and will not disadvantage policyholders compared to those of a proprietary (i.e. non-mutual) With-Profits Fund. The firm will also require engagement with policyholders. In order to obtain any modification, consultation with the PRA will also be required and if a modification were granted the firm would be dependent on its continuing existence.

As further described in "*Description of the Guarantor – Discretionary ProfitShare*", the Group introduced a ProfitShare arrangement to allocate, on a discretionary basis, a proportion of the profits earned on the businesses of the Group to eligible with-profits and unit-linked pension policies, to address the issues raised by Project Chrysalis.

Supervision of management and change of control of authorised firms

Senior Managers and Certification Regime

One of the methods by which the PRA and FCA supervise the management of authorised firms is through the SMCR.

The SMCR, which previously applied to deposit-takers and PRA-designated investment firms, was extended to apply to insurers from 10 December 2018. The SMCR replaced the previous regime applicable to insurers, known as the senior insurance managers regime.

The SMCR comprises the following elements:

- a senior managers' regime, which applies to individuals performing a senior management function ("**SMF**"). A SMF is a function that requires the person performing it to be responsible for managing one or more aspects of the relevant firm's affairs (so far as such affairs relate to regulated activities) and those aspects involve, or may involve, a risk of serious consequences for the relevant firm, or for business or other interests in the UK. Firms must ensure that every activity, business area and management function has an SMF with overall responsibility for it. Appointment of an individual performing an SMF requires regulatory approval;

- a certification regime, which applies to employees of relevant firms who could pose a risk of significant harm to the firm or to any of its customers ("**Certified Persons**"). Such employees are not pre-approved by the PRA or FCA. Rather firms are required to certify that such employees are fit and proper to perform their roles on at least an annual basis. Every Certified Person receives one certificate which covers FCA functions and any PRA functions; and

- conduct rules, which are high level requirements that apply to most employees (other than ancillary staff) and non-executive directors of an insurer.

On 30 March 2023 HMT published a call for evidence on the SMCR. In parallel, the FCA and PRA published a joint discussion paper on potential ways to improve the regime. HMT's call for evidence focuses on the legislative aspects of the regime while the joint discussion paper from the FCA and PRA focuses on the regulatory framework. Both papers close for comments on 1 June 2023.

The focus of the review is on introducing efficiencies into the regime and reducing the administrative burden on firms rather than more fundamental reform. The review covers every aspect of the regime, including its impact on the international competitiveness of the UK. Previous reviews of the SMCR have been more limited in scope.

Change of control of authorised firms

The PRA and FCA also regulate the acquisition of, 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, in the case of an acquisition or increase of control, obtain the consent of the appropriate regulator or, in the case of a decrease of control, notify the appropriate regulator. In relation to dual regulated firms, such as the Guarantor, 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 appropriate regulator must consider the suitability of the acquirer and the financial soundness of the acquisition in order to ensure the sound and prudent management of the insurer.

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 (pursuant to an explicit or implicit agreement between them), if any, are aggregated.

Person A will be treated as increasing (or decreasing) his control over person B, requiring prior approval from (or in the case of a decrease, notification to) the appropriate regulator if:

(a) the level of his percentage shareholding or voting power in B or P crosses the 10 per cent. (in the case of decreasing control), 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 PRA and FCA have extensive powers to undertake a range of investigative, disciplinary and enforcement actions, including public censure, restitution, fines or sanctions and to require firms to pay compensation. The PRA and FCA may therefore intervene in the affairs of an authorised firm and use their powers to 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, fining firms or individuals who breach their rules and increasing capital requirements.

The FCA can also sanction persons who commit market abuse. In addition to its ability to apply sanctions for market abuse and other civil penalties, the FCA has the power to prosecute criminal offences arising under FSMA, insider dealing under Part V of the Criminal Justice Act 1993, market misconduct under the Financial

Services Act 2012 and breaches of the Money Laundering Regulations. The FCA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The PRA and FCA may vary or revoke a firm's permission to carry on regulated activities 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 apply to the High Court in England and Wales for 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 in respect of an authorised firm or an individual, 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. The FCA also has the ability to issue fines against firms who breach relevant competition laws.

Pension freedoms

The introduction of the Government's pension freedoms in 2015 provided more flexibility in how and when consumers can access their pension savings. Consumers are now faced with making more complicated choices about their retirement. In July 2016, the FCA launched the Retirement Outcomes Review. The regulator wanted to assess how the retirement income market was evolving following the introduction of the pension freedoms, address any emerging issues that might cause consumer harm and put the market on a good footing for the future. The Group has implemented the FCA's rules and guidance resulting from that review including issuing pension wake-up packs quinquennially from age 50, monetary disclosure of costs and charges on decumulation products, and default investment pathways for non-advised drawdown. The FCA is continuing to develop regulations to increase consumer engagement with their pensions as well as to improve the quality of default options. One such development was the introduction of a stronger nudge to consumers to use the Pension Wise guidance service, which took effect on 1 June 2022. The FCA has recently published its final rules and guidance for the Consumer Duty regulations. This represents one of the largest pieces of regulatory reform for a decade requiring firms to act to deliver good outcomes for all retail consumers, including pension consumers (firms must comply by 31 July 2023 for new and existing products and services and by 31 July 2024 for closed book products and services). The Group is progressing activity to implement the FCA policy requirements. The Group is also proceeding with activity on Pension Dashboards which will allow consumers to see all their pension savings in a single place and monitoring regulators plans on how pension providers demonstrate value for money.

Other bodies impacting the UK regulatory regime – consumer complaints and compensation

The Bank of England and HM Treasury

The agreed framework for co-operation in the field of financial stability in the financial markets is detailed in a Memorandum of Understanding published jointly by the FSA (now the FCA), the Bank of England (now including the PRA) and HM Treasury. The Bank of England has specific responsibilities in relation to financial stability, including: (i) ensuring the stability of the monetary system; (ii) oversight of the financial system infrastructure, in particular payments systems in the UK and abroad; and (iii) maintaining a broad overview of the financial system through its monetary stability role and the deputy governor's membership of the FCA's Board. The tripartite authorities work together to achieve stability in the financial markets.

UK Financial Ombudsman Service

The FOS provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include firms conducting activities under the Consumer Credit Act. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

The Financial Services Compensation Scheme

The Financial Services Compensation Scheme was established under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms. The Financial Services Compensation Scheme can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The Financial Services Compensation Scheme is funded by levies on authorised firms, including all UK authorised and regulated companies within the Group and the levels of contribution to the Financial Services Compensation Scheme may change over time.

Competition and Markets Authority

The Competition and Markets Authority is the UK's competition authority. Its regulatory and enforcement powers could impact the insurance sector in a number of ways, including powers to investigate and prosecute a number of criminal offences under competition law.

UK Information Commissioner's Office (the "ICO")

The ICO is responsible for overseeing implementation of the Data Protection Act 2018. The Data Protection Act 2018 updates and replaces the Data Protection Act 1998 and came into effect on 25 May 2018. In Ireland, the Data Protection Act 2018 was signed into law on 24 May 2018, replacing its previous data protection framework established under the Data Protection Acts 1988 and 2003. Each Act was passed to provide local support to the EU's version of the GDPR, which replaced the previous regime set out in Directive 95/46/EC. The EU's version of the GDPR seeks to harmonise data protection procedures and enforcement across the EU. It binds on data controllers in all member states directly without the need for implementation by the member states. Importantly, the penalties for breach of the GDPR are substantial.

Following the end of the Brexit transition period, on 31 December 2020, an amended version of the GDPR continues to apply in the UK in parallel with an amended version of the Data Protection Act 2018.

Brexit and passporting

The EU's version of Solvency II contains a passporting regime which provides that an authorisation to carry on insurance business granted by the insurance regulator in an EEA member state where the insurer is incorporated or has its head office is valid for the entire EEA.

Prior to completion of the Brexit process, the Guarantor had made use of EEA-wide passporting rights in relation to its customers resident in EEA member states other than the UK.

The UK's departure from the EU resulted in a loss of EEA passporting rights for UK authorised firms, as of the end of the Brexit transition period on 31 December 2020. Consequently, a UK insurer may no longer be able to continue to write new insurance business into an EEA member state or service existing business in that state (e.g., receipt of premium or payment of claims), depending on the local law in existence in that jurisdiction. To benefit from passporting access within the EEA, an insurer must establish an appropriately licensed EEA base, which is subject to the laws and regulation of the EEA state of establishment. It may not be possible for such an insurer to retain the present level of UK operations with respect to that establishment, as the relevant EEA member state regulator may insist that sufficient management oversight, capital, support-staff and business be based at the EEA insurer/branch.

From the point of view of the EU's regulatory framework, following the expiry of the transition period the UK has become a "third country" in respect of the insurance sector. It is possible that the EU will in the future grant the UK equivalence under its version of Solvency II. This should be distinguished from equivalence under other directives in the financial sector since the effects vary across directives. Under Solvency II, equivalence is not a single determination in relation to a third country's regime and does not provide for passporting rights. It is possible that there may be future divergence between EU law and UK law (see the paragraph headed "*Solvency II Directive*" below), which may make a finding of equivalence more difficult to obtain.

Following the referendum vote in favour of Brexit, the Group took the decision to establish an authorised insurance business in Ireland, RLI DAC. This enables the Group to continue to sell new business in Ireland following Brexit and enables the Irish and German life insurance business previously underwritten by the Guarantor to continue to be serviced following its transfer to RLI DAC under Part VII of FSMA. RLI DAC was authorised to write new life insurance business in Ireland by the CBI with effect from 1 January 2019. The transfer of the Irish and German business took effect for accounting purposes as at 1 January 2019 but was otherwise effective as at 7 February 2019.

Solvency II Directive

Solvency II has applied since 1 January 2016. Consistent with the general approach to the onshoring of EU law, following the end of the Brexit transitional period on 31 December 2020, Solvency II has been retained in the UK in substantially complete form with policy changes only being made to the extent they are necessary to reflect the UK's position outside of the EU. The UK and EU rules may diverge further in future, including as a result of reviews of the respective versions of Solvency II that are currently being undertaken by HM Treasury in the UK and the EU Commission in the EU. In relation to the UK review, following a call for evidence and a quantitative impact study, HMT published a consultation paper on 28 April 2022 in which it proposed the relaxation of some of the capital requirements imposed on UK insurers (with some counter-balancing changes also proposed). On 17 November 2022, HMT published its response to the consultation, in which it proposed to legislate as necessary to introduce a number of reforms, including reducing the risk margin for life and non-life insurance business, increasing the risk sensitivity of the current fundamental spread approach and broadening the matching adjustment eligibility criteria. HMT has also proposed further measures which include (among other things) requiring insurers to participate in regular stress testing, requiring senior managers to attest to the sufficiency of their firm's fundamental spread, allowing firms to apply a higher fundamental spread where the standard allowance is insufficient and allowing the PRA to seek assurances on internal credit ratings and to require adjustments where appropriate. HMT has not indicated the timing for the legislation required to implement such reforms. The PRA has indicated that it expects to publish an initial consultation in June 2023 on related changes to its rules, with a second consultation to follow on those areas that will benefit from more time for industry engagement, in September 2023.

Based on the current proposals for Risk Margin and Matching Adjustment, it is expected that the capital position of Royal London would improve. However, it is noted that a significant proportion of the expected changes to the Risk Margin will be offset by the Transitional Measure on Technical Provisions at the date of implementation of the reform, so there is not expected to be a large capital benefit.

The main aim of the framework is to protect policyholders through establishing prudential requirements 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. The 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.

Solvency II contains rules covering, among other things:

- the technical provisions that must be held against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of an MCR and a higher and more risk sensitive SCR;
- what assets/regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may 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 internal 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 the Guarantor and the CBI in the case of RLI DAC);
- rules on insurance products which are linked to the value of specific property or indices; and
- the application of the above requirements across insurance groups.

The UK rules generally replicate the EU rules other than in certain instances, such as the need to provide for with-profits 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 implementing Solvency II contain a requirement that firms hold, within each of their with-profits funds, assets that are sufficient to meet the with-profits liabilities of such funds. The FCA rules use a 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 (SS1/14) that restrictions on assets and Own Funds resulting from the nature of, and regulatory regime for, with-profits insurance business in the United Kingdom 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 of Directors may apply capital management policies to control the distribution of capital.

Insurance companies and insurance groups require supervisory approval to use internal models to calculate their SCR (or specific risks or major business units within the SCR), as the PRA wants to ensure ongoing compliance with the Solvency II internal model requirements. 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. Once a firm's internal model has been approved, it must report internal model outputs using the PRA's templates, so that the PRA can supervise internal models on an ongoing basis. 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 20 September 2019, the Group announced that the PRA had approved the Solvency II Internal Model application**.** See also the Single Group Solvency and Financial Condition Report of the Group for the year ended 31 December 2022.

The technical implementation of Solvency II resulted in a significant increase in the technical provisions and regulatory capital requirements of the Group. However, these increases were mitigated to an extent by the introduction of transitional provisions, included in the Solvency II Directive, which are designed to ensure a smooth transition to the new regime. The PRA has authorised the use by the Guarantor of the Transitional Measures on Technical Provisions. This allows for a transitional deduction on technical provisions which is the difference between the net technical provisions calculated in accordance with the Solvency II rules and the net technical provisions calculated in accordance with the previous regime. The Transitional Measures on Technical Provisions are recalculated in certain circumstances.

Insurers with relatively predictable long-term liabilities often hold illiquid long-term assets to cover their liabilities, with the expectation that they will be able to hold those assets to maturity rather than having to sell them earlier to meet unforeseen liabilities. Because these instruments would normally provide a higher rate of return than the risk-free rate, the insurer is able to use a higher rate of interest in discounting the liabilities back to a present value than the risk-free rate generally required by Solvency II. The Long-Term Guarantee ("**LTG**") package was agreed, during negotiations on the EU's version of the Solvency II framework, in part to provide adjustments to the risk-free rate that can be used effectively to reduce the amount of the relevant technical provisions. It includes three key elements: the matching adjustment; the volatility adjustment; and the Transitional Measures on Technical Provisions. The use of each requires the approval of the PRA. An insurer cannot use both the matching adjustment and the volatility adjustment in respect of the same portfolio.

The matching adjustment effectively allows the discount rate used to calculate the present value of insurance liabilities to be increased to reflect the return on "ring-fenced" assets held to match those liabilities (with a deduction for credit risk).

The Guarantor received regulatory approval to use the matching adjustment for certain non-profit deferred and in-payment annuity business within the Royal London Open Fund that meets the regulatory eligibility requirements.

The volatility adjustment is an adjustment to the discount rate that may be used in calculating insurance liabilities. The aim is to reduce the need for insurers holding long-term assets to take short-term measures in response to temporary market volatility. It is available for all business other than unit-linked business. The Guarantor's use of the volatility adjustment has been approved by the PRA.

It should be noted that RLI DAC is authorised and regulated by the CBI. Consequently, the EU's version of the Solvency II framework (and any relevant Irish implementing provisions) is applied by the CBI, not the UK regulators. More generally, the prudential regulation of RLI DAC is a matter for the CBI.

For further information, see also the risk factor entitled "*Risk Factors - The Group operates in a regulated market and is exposed to changes to regulation, policies and interpretations*".

Packaged Retail Investment Products

The EU's Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") lays down uniform rules on the format and content of the key information document ("**KID**") to be drawn up by manufacturers of packaged retail and insurance-based investment products ("**EU PRIIPs**") and on the provision of the KID to retail investors in order to enable them to understand and compare the key features and risks of the relevant PRIIP.

The EU PRIIPs Regulation has applied in EU member states since 1 January 2018. The EU PRIIPs Regulation was incorporated into UK domestic law at the end of the Brexit transition period, with amendments having been made by way of a statutory instrument to ensure that the EU PRIIPs regime continued to operate in the UK after Brexit.

Various further changes have been made to improve the functioning of the EU PRIIPs regime in the UK and to address potential areas of harm to consumers. In March 2022, the FCA published policy statement PS22/2, in which it confirmed targeted amendments to its EU PRIIPs rules, including clarifying the scope of the UK regime and replacing some of the more onerous technical standards. The new rules and guidance took effect on 25 March 2022. These changes represent a "first step" for improving the EU PRIIPs rules and the FCA has said that it intends to work with HM Treasury on a planned review of the disclosure regime for UK retail investors.

Insurance Distribution Directive

The UK insurance distribution regime for insurers, reinsurers and insurance intermediaries is derived from the EU's Insurance Distribution Directive ((EU) 2016/97) (the "**IDD**"). The IDD is designed to improve the regulation of the retail insurance market and aims to ensure a level playing field between all participants involved in the sale of insurance products, and to strengthen policyholder protection.

Key elements of the IDD include:

- extending the scope of the EU's original insurance distribution regime to cover all sales of insurance products, whether by insurance intermediaries or insurance undertakings, including proportionate requirements for those who sell insurance products on an ancillary basis;
- identifying, managing and mitigating conflicts of interest;
- strengthening administrative sanctions, as well as measures to be applied in the event of a breach of key provisions;
- enhancing the suitability and objectiveness of insurance advice;
- mandatory disclosure at the pre-contractual stage by insurance intermediaries of the nature and basis (but not amount) of remuneration received; and
- ensuring that sellers' professional qualifications match the complexity of the products that they sell.

In the UK, the IDD was transposed through a combination of legislation, regulations and FCA rules. Although the IDD itself was not "onshored" as part of the Brexit process, since it did not have direct effect in the UK, the UK has made changes to both UK laws, regulations and rules that originally implemented the IDD and to EU retained law relating to the IDD to ensure that the UK insurance distribution regime operates effectively following the end of the Brexit transition period.

Conduct of Business requirements for investment businesses and MiFID II

MiFID II, which came into force on 3 January 2018, provides for the regulation of EU securities and derivatives markets. MiFID II is comprised of (i) a substantially revised Markets in Financial Instruments Directive (2014/65/EU); (ii) the Markets in Financial Instruments Regulation ((EU) No 600/2014); and (iii) secondary legislation in the form of Delegated Acts made thereunder.

MiFID II sets out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and securities and derivatives trading venues. In particular, MiFID II makes specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling, suitability and appropriateness, product governance, telephone taping, investment research and financial analysis, pre and post trade transparency obligations, transaction reporting, commodity derivative position limits and reporting, and the ability of MiFID investment firms authorised in one EU member state to use 'passports' to conduct MiFID investment services in other EU member states.

MiFID II is more wide-ranging than the previous MiFID regime (under the EU Markets in Financial Instruments Directive (2004/39/EC)) and has a direct impact on MiFID investment firms and an indirect impact on non-MiFID financial services firms who deal in EU securities and derivatives markets.

FCA Conduct of Business Rules

The FCA's Conduct of Business Rules (the "**Conduct of Business Rules**") apply to every authorised firm carrying on regulated activities in the United Kingdom 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 nature 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 and report appropriately to its clients.

The FCA's Supervision Manual contains specific requirements 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.

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.

The Insurance Act 2015

The Insurance Act 2015 received Royal Assent on 12 February 2015 and the majority of its provisions entered into force on 12 August 2016. The Act applies mainly to non-consumer contracts of insurance (although certain provisions apply to both consumer and non-consumer policies), and includes the following key provisions:

- a duty of fair presentation which requires policyholders to (i) disclose to insurers "every material circumstance" which the insured knows or ought to know, or (ii) provide the insurer with "sufficient information" to put a prudent insurer on notice that it needs to make further enquiries into those material circumstances;
- the introduction of proportionate remedies for non-disclosure (i.e., breach of the duty of fair presentation);
- any warranty breach by an insured now suspends (rather than entirely discharges) the insurer's liability until such breach is remedied. The insurer remains liable for the periods prior to such breach and the policy will resume in full force once the breach has been remedied;

- clarification and codification of insurers' civil remedies in respect of fraudulent claims;
- the removal of any rule of law which permits a party to avoid an insurance contract on the ground of breach of the duty of utmost good faith, both at common law and under statute and for both consumer and non-consumer contracts; and
- the ability to contract out of certain provisions of the Act, which requires compliance with the transparency requirements of the Act.

The Enterprise Act 2016, which received Royal Assent on 4 May 2016, amongst other things amended the Insurance Act 2015 by inserting a new provision relating to a term to be implied into every insurance contract which requires the insurer to pay sums due to policyholders within a "reasonable time". This implied term cannot be contracted out of consumer contracts. Contracting out in non-consumer contracts is possible, save for any deliberate or reckless breach of the implied term and provided that the insurer complies with the transparency requirements of the Insurance Act 2015.

Whistleblowing

In October 2015, the PRA and FCA published policy statements containing new rules in relation to whistleblowing by employees with respect to the conduct of their employers or others within their firm.

The rules go further than the requirements of the Public Interest Disclosure Act 1998 ("**PIDA**"), which is the legislation that protects employees who act as whistleblowers in relation to the conduct of their employer or others within their firm. The rules are designed to encourage individuals with concerns about a firm's practices to raise them, and to ensure that such concerns are properly managed and reported to the regulator where appropriate.

The rules apply to:

- insurance and reinsurance firms within the scope of Solvency II and the Society of Lloyd's and managing agents;
- PRA-designated investment firms; and
- UK deposit takers with assets of £250 million or more (including banks, building societies and credit unions).

Under the rules, such firms must:

- appoint a senior manager in accordance with the requirements of SMCR who is a non-executive director to act as a "whistleblowers' champion". The whistleblowers' champion is responsible for oversight of the firm's whistleblowing policies and procedures, and for ensuring an annual report on whistleblowing is presented to the board and made available to the regulator;
- put internal arrangements in place to handle any type of disclosure by any person (including anonymous disclosures) as opposed to only those disclosures that currently fall within the scope of the PIDA;
- put in place systems which protect confidentiality, allow for the escalation of concerns to the appropriate regulator, track the outcome of whistleblowing reports, provide feedback to whistleblowers and have measures in place to protect whistleblowers from victimisation;
- inform the FCA and the PRA if there is an unsuccessful judgment against the firm in an employment tribunal claim for whistleblowing and there are findings relating to a claim that the whistleblower was victimised;

- ensure that employees based in the UK are informed about the whistleblowing services offered by the PRA and the FCA and they can approach these regulators directly without first raising concerns with their employer; and
- ensure their appointed representatives and tied agents inform their own staff about the FCA and the PRA's whistleblowing arrangements.

Money Laundering and Financial Crime

The FCA has a duty to consider the importance of minimising the risk of the insurance companies that it regulates being used for financial crime. It therefore looks at measures an insurer takes to monitor, detect and prevent financial crime. This includes measures in respect of money laundering, terrorist financing, data security, bribery and corruption, fraud and sanctions breaches. The EU's Fourth Money Laundering Directive ("**MLD4**") sets out the EU's anti-money laundering and counter terrorist financing framework and was implemented in the UK on 26 June 2017. The EU authorities subsequently adopted a Fifth Money Laundering Directive ("**MLD5**") to clarify certain aspects of MLD4. MLD5 was transposed into UK law by way of the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (SI 2019/1511), the majority of which came into force on 10 January 2020.

Recovery, resolution and restructuring regimes

For information on the proposed development of a recovery, resolution and restructuring regime for insurance companies, please see the risk factor entitled "*The Group's businesses are subject to extensive regulatory supervision and therefore regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates – The Group may become subject to regimes governing the recovery, resolution or restructuring of insurance companies*".

TAXATION

UK Taxation

The comments set out below are a general description of certain United Kingdom tax considerations relating to the Notes and are not intended to be exhaustive. They do not constitute legal or tax advice. They assume that there will be no substitution of the Issuer or Guarantor or further issues of securities that will form a single series with the Notes, and do not address the consequences of any such substitution or further issue (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes). They are based on current United Kingdom tax law in force as applied in England and Wales and the current published practice of HM Revenue & Customs (which may not be binding on HM Revenue & Customs), in each case, as at the latest practicable date before the date of these Admission Particulars, and each of which may change at any time, possibly with retrospective effect. They only relate to the position of persons who are the absolute beneficial owners of the Notes and who hold the Notes as investments. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Noteholders. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

Interest on the Notes

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**")) or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or EEA-regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax. The International Securities Market is a multilateral trading facility operated by a UK, Gibraltar or EEA regulated recognised stock exchange (the London Stock Exchange) for these purposes.

Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs under domestic law or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

Noteholders should be aware that the provisions relating to additional payments referred to in Condition 10 of the terms and conditions of the Notes would not apply if HM Revenue & Customs sought to assess the person entitled to the relevant interest on any Notes directly to UK income tax.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax ("**SDRT**") should be payable on the issue of the Notes. In the case of an issue of the Notes (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, where the issue of the Notes would otherwise be subject to UK SDRT at 1.5 per cent., this is a result of EU and UK case law. The effect of this EU case law will continue to be recognised and followed in the UK pursuant to the provisions of the EUWA, even though the UK is no longer part of the EU, and HM Revenues & Customs' published practice remains that the 1.5 per cent. charge will remain disapplied in such cases.

An exemption from UK stamp duty and SDRT applies to the transfer of securities which constitute "hybrid capital instruments" within the meaning of Section 475C of the Corporation Tax Act 2009, where there are no arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage (the "**HCI Rules**").

The Notes should constitute "hybrid capital instruments" for the purposes of the HCI Rules provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Notes (which is the case as the Issuer has the right to cancel payments of interest under the Notes);
- the Notes "have no other significant equity features" (which should be the case); and
- the Issuer has made an election in respect of the Notes.

The Issuer will make a hybrid capital instrument election in respect of the Notes and the Notes are not being issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage. Consequently, the Issuer expects that the exemption from stamp duty and SDRT should apply provided that the Notes continue to constitute "hybrid capital instruments" for the purposes of the HCI Rules.

Even if the HCI Rules did not apply to the Notes, no UK stamp duty or SDRT should be payable on the transfer of Notes within a clearing system (such as Euroclear or Clearstream, Luxembourg) without a written instrument of transfer provided that no election is or has been made by the relevant clearing system under section 97A of the Finance Act 1986 (a "**97A election**") that applies to the Notes. However, if a 97A election were to apply to the Notes in the future, transfers of the Notes within the relevant clearing system could, unless the HCI Rules or another exemption applies, be subject to SDRT, generally at the rate of 0.5 per cent. of the consideration given under the agreement to transfer the Notes.

No liability to UK stamp duty or SDRT will arise for a holder on the release of Notes on Automatic Conversion.

No liability to UK stamp duty or SDRT will arise for a holder on the issuance of Conversion Shares by the Issuer to the Conversion Shares Depositary (as nominee for the Noteholders) or on the subsequent delivery of the Conversion Shares to the Noteholders under an Automatic Conversion.

Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption from withholding on account of United Kingdom tax in respect of securities listed on a recognised stock exchange or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or EEA-regulated recognised stock exchange, as described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments and they have a United Kingdom source, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

SUBSCRIPTION AND SALE

BNP Paribas, HSBC Bank plc and Merrill Lynch International (the "**Joint Lead Managers**") have, pursuant to a subscription agreement dated 23 May 2023 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at 100.00 per cent. of the principal amount of the Notes and will receive certain commissions as agreed with the Issuer. The Issuer (failing which, the Guarantor) has agreed to indemnify the Joint Lead Managers against certain liabilities which may arise in connection with the issue of the Notes and has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes.

The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes, the Guarantee and the Conversion Shares into which the Notes may convert have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a 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 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and would not, if the Guarantor was not an authorised person, apply to the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed 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 (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that these Admission Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, these Admission Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

Each Joint Lead Manager has acknowledged and agreed, that:

(i) it will not make a public offer of the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the Swiss Financial Services Act ("**FinSA**"), except to professional clients as such term is defined or interpreted under the FinSA ("**Professional Investors**");

(ii) the Notes will not be admitted by it to trading on a trading venue (exchange or multilateral trading facility) in Switzerland;

(iii) it will not offer, sell, advertise or distribute the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA, except to Professional Investors; and

(iv) no key information document pursuant to article 58(1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to the Notes and, therefore, any Notes with a derivative character within the meaning of article 86(2) of the Swiss Financial Services Ordinance may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the FinSA and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither these Admission Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA and neither these Admission Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Collective Investment Schemes Act ("**CISA**"). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority ("**FINMA**") and neither these Admission Particulars nor any other offering or marketing material relating to the offering, nor the Notes have been or will be filed with or approved by any Swiss regulatory authority, and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

Canada

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

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

Each Joint Lead Manager has acknowledged that the Notes will not be qualified for sale under the securities laws of any province or territory of Canada. Each Joint Lead Manager has represented and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. Each Joint Lead Manager has also represented and agreed that it has not distributed or delivered and will not distribute or deliver these Admission Particulars or any other offering material in connection with any offering of Notes in Canada, other than in compliance with applicable securities laws.

General

Each Joint Lead Manager has agreed to comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in force in any jurisdiction in which it acquires, offers, sells or delivers the Notes or possesses or distributes these Admission Particulars or any other offering material relating to the Notes and will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes any acquisition, offer, sale or delivery and none of the Issuer, the Guarantor and any other Joint Lead Manager shall have responsibility therefor.

None of the Issuer, the Guarantor, the Joint Lead Managers or the Trustee represents that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of these Admission Particulars or any offering materials, in any country or jurisdiction where action for that purpose is required.

GENERAL INFORMATION

1. It is expected that admission of the Notes to trading on the ISM will be granted on or around 25 May 2023, subject only to the issue of the Global Certificate and that such admission will become effective, and that dealings in the Notes on the ISM will commence, on or about 26 May 2023. The ISM is not a regulated market within the meaning of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. Notes so admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of these Admission Particulars.

2. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in the UK in connection with the issue and performance of the Notes and the Guarantee relating to the Notes. The issue of the Notes was authorised by a meeting of the Board of Directors of the Issuer held on 12 May 2023. The giving of the Guarantee in respect of the Notes was authorised by a resolution of the Board of Directors of the Guarantor passed on 3 November 2022 and a resolution of a committee of the Board of Directors of the Guarantor passed on 26 April 2023.

3. There has been no significant change in the financial position or financial performance of the Issuer and no material adverse change in the prospects of the Issuer since 23 November 2022, being its date of incorporation.

4. There has been no significant change in the financial position or financial performance of the Guarantor or of the Group since 31 December 2022. There has been no material adverse change in the prospects of the Guarantor or of the Group since 31 December 2022.

5. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) arising during the 12 months preceding the date of these Admission Particulars which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer, the Guarantor and/or the Group.

6. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 262514030. The International Securities Identification Number (ISIN) for the Notes is XS2625140301.

   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.

7. The Legal Entity Identifier code of the Issuer is 213800HIIIVB4H22RI80. The Legal Entity Identifier code of the Guarantor is G8FFYFZ5TIO54GXBFZ14.

8. The website of the Guarantor is *https://www.royallondon.com*. The information on *https://www.royallondon.com* does not form part of these Admission Particulars, except where that information has been incorporated by reference into these Admission Particulars.

9. The initial yield on the Notes to (but excluding) the first interest reset on the First Reset Date (assuming, solely for these purposes, that no interest payments are cancelled and the Notes were to be redeemed on the First Reset Date) will be 10.125 per cent. per annum calculated on an annual basis. The yield is calculated on the Issue Date on the basis of the issue price of the Notes. It is not an indication of future yield.

10. Where information in these Admission Particulars has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would

render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

11. For so long as the Notes remain outstanding, copies of the following documents will be available for inspection at (in the case of the documents listed in (i) to (iii)) *https://www.royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/*; (in the case of the document listed in (iv)) *https://www.royallondon.com/about-us/corporate-information/corporate-governance/our-governance-framework/*; and (in the case of the Documents Incorporated by Reference in (v)) at the websites listed in the section entitled "*Documents Incorporated by Reference*":

    (i) the Trust Deed (which includes the form of the Global Certificate and the Certificates);

    (ii) a copy of these Admission Particulars together with any supplement to these Admission Particulars;

    (iii) the articles of association of the Issuer;

    (iv) the articles of association of the Guarantor; and

    (v) a copy of each of the Documents Incorporated by Reference.

12. PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH (Chartered Accountants and Statutory Auditors) and a member of the Institute of Chartered Accountants in England and Wales has audited, and rendered unqualified audit reports on, the financial statements of the Guarantor for the two years ended 31 December 2022 and 31 December 2021.

13. Save for the fees payable to the Joint Lead Managers, the Trustee and the Principal Paying Agent, Registrar and Transfer Agent, so far as the Issuer is aware, no person, natural or legal, involved in the issue of the Notes has an interest that is material to the issue of the Notes.

    The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or the Guarantor and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or the Guarantor 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 Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or the Guarantor and their affiliates. The Joint Lead Managers and/or their affiliates may receive allocations of Notes (subject to customary closing conditions), which could affect future trading of the Notes. The Joint Lead Managers and their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers 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. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers 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.

DEFINITIONS

The following definitions apply throughout these Admission Particulars unless the context otherwise admits, save that capitalised terms used in the section of these Admission Particulars headed "*Terms and Conditions of the Notes*" have the meanings given therein.

"**Admission Particulars**"	means these Admission Particulars dated 23 May 2023.
"**Alternative Clearing System**"	means any other clearing system than Euroclear or Clearstream, Luxembourg.
"**Board**"	means the Board of Directors of the Guarantor.
"**CIS**"	means The Co-operative Insurance Society Limited.
"**Clearstream, Luxembourg**"	means Clearstream Banking S.A.
"**COBS**"	means the United Kingdom Financial Conduct Authority Conduct of Business Sourcebook.
"**Condition**"	means, in respect of a numbered Condition, the relevant condition of the Notes set out under "*Terms and Conditions of the Notes*".
"**Disclosure and Transparency Rules**"	means the Disclosure and Transparency Rules as published under the FCA Handbook.
"**EEA**"	means the European Economic Area.
"**EU**"	means the member states of the European Union.
"**Euroclear**"	means Euroclear Bank SA/NV.
"**EUWA**"	means the European Union (Withdrawal) Act 2018.
"**estate**" or "**Estate**"	means the excess of the assets realistically required to meet the current expectations of policyholders and to settle other liabilities relating to each class of business to which it relates.
"**FCA**"	means the Financial Conduct Authority (or any successor authority).
"**FCA Handbook**"	means the book of rules and guidance maintained by the FCA.
"**Financial Services Compensation Scheme**"	means the UK compensation scheme, established under the FSMA, which commenced operations on 1 December 2001 as a fund of last resort to protect deposits and certain other obligations, within prescribed limits, of customers of authorised financial services firms which are unable, or likely to become unable, to meet their obligations in respect thereof, or any successor or replacement scheme.
"**FinSA**"	means the Swiss Financial Services Act.
"**FOS**"	means the Financial Ombudsman Service.
"**FSA**"	means the Financial Services Authority prior to 1 April 2013.

"**FSMA**"	means the Financial Services and Markets Act 2000, as amended.
"**GDPR**"	General Data Protection Regulation (EU) 2016/679.
"**Global Certificate**"	means a global certificate in registered form registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg on or about the Issue Date.
"**Group**"	means the Guarantor and its subsidiaries.
"**Guarantor**"	means The Royal London Mutual Insurance Society Limited.
"**HM Revenue & Customs**"	means His Majesty's Revenue and Customs.
"**HM Treasury**"	means His Majesty's Treasury.
"**ICOBS**"	means the insurance conduct of business sourcebook.
"**IDD**" or "**Insurance Distribution Directive**"	means the Insurance Distribution Directive (Directive (EU) 2016/97).
"**IRS**"	means the Inland Revenue Service.
"**ISM**"	means the International Securities Market of the London Stock Exchange.
"**Issuer**"	means RL Finance Bonds No. 6 plc.
"**IT**"	means information technology.
"**Joint Lead Managers**"	means BNP Paribas, HSBC Bank plc and Merrill Lynch International.
"**Joint Structuring Advisors**"	means BNP Paribas and HSBC Bank plc.
"**London Stock Exchange**"	means the London Stock Exchange plc.
"**Long-Term Fund**"	means a long-term insurance fund, which is a fund where assets are separately identified and maintained to cover the liabilities arising from the long-term insurance contracts written within the fund.
"**Market**"	means the London Stock Exchange's International Securities Market.
"**MCR**"	means Minimum Capital Requirement.
"**MiFID**"	means the Markets in Financial Instruments Directive (2004/39/EC).
"**MiFID II**"	means the Markets in Financial Instruments Directive (2014/65/EU).
"**Moody's**"	means Moody's Investors Service Limited or, where the context requires, another ratings provider within the Moody's group.
"**Notes**"	means the Issuer's £350,000,000 10.125 per cent. Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes guaranteed on a subordinated basis by the Guarantor.
"**PPFM**"	means each set of Principles and Practices of Financial Management of the Guarantor as applicable in the context

	setting out how the Guarantor conducts its With-Profits Business in relation to specified groups of its with-profits policyholders, as amended and updated from time to time.
"**PRA**"	means the Prudential Regulation Authority (or any successor authority).
"**PRA Rulebook**"	means the book of rules and guidance, including as to regulatory capital requirements, maintained by the PRA.
"**PRIIPs**"	means packaged retail and insurance-based investment products.
"PRIIPs Regulation"	means Regulation (EU) No 1286/2014
"**ProfitShare**"	means an allocation of part of the Group's operating profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies.
"**PVNBP**"	means present value of new business premiums.
"**Regulation S**"	means Regulation S under the Securities Act.
"**RLAM**"	means Royal London Asset Management Limited.
"**RLI DAC**"	means Royal London Insurance Designated Activity Company.
"**RNS**"	means the Regulatory News Service operated by the London Stock Exchange.
"**Royal London Open Fund**"	means the main With-Profits Fund of the Guarantor.
"**Securities Act**"	means the United States Securities Act of 1933, as amended.
"**SMCR**"	means the Senior Managers & Certification Regime.
"**Solvency II**"	means the Solvency II Framework Directive as implemented in the UK 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.
"**Solvency II Framework Directive**"	means the Directive on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (2009/138/EC), as amended.
"**Solvency II Internal Model**"	means the PRA-approved group and solo application to use a partial internal model.
"**Subscription Agreement**"	means the subscription agreement in connection with the issue of the Notes as between the Joint Lead Managers, the Issuer and the Guarantor.
"**Subsidiary**"	has the meaning given to that term under Section 1159 of the Companies Act.
"**Stabilisation Manager**"	means BNP Paribas acting as stabilisation manager in connection with the issue of the Notes.

"**S&P**"	means S&P Global Ratings Europe Limited or, where the context requires, another ratings provider within the Standard & Poor's group.
"**U.S.**"	means the United States.
"**United Kingdom**" or "**UK**"	means the United Kingdom of Great Britain and Northern Ireland.
"**UK GAAP**"	UK Generally Accepted Accounting Practice as set by the Financial Reporting Council.
"**UK PRIIPs Regulation**"	means the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA.
"**With-Profits Business**"	means the business of an insurer (such as the Guarantor) that may affect the amount or value of the assets comprising a With-Profits Fund.
"**With-Profits Fund**"	means a separate long-term insurance fund, maintained within the Long-Term Fund, where with-profits policyholders are eligible to share in any surpluses arising.

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