



CGNU

CGNU plc

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

£700,000,000 6.125 per cent. Fixed/Fixed Rate Reset Subordinated Notes due 2036
Issue Price: 98.850 per cent.

€800,000,000 5.75 per cent. Fixed/Floating Rate Subordinated Notes due 2021
Issue Price: 99.890 per cent.

Interest on the £700,000,000 6.125 per cent. Fixed/Fixed Rate Reset Subordinated Notes due 14 November 2036 (the "Sterling Notes" or "Sterling Bonds") and the €800,000,000 5.75 per cent. Fixed/Floating Rate Subordinated Notes due 14 November 2021 (the "Euro Notes" or "Euro Bonds") of CGNU plc (the "Issuer") is payable from and including 14 November 2001 to but excluding 16 November 2026 at the rate of 6.125 per cent. per annum in respect of the Sterling Notes, and to but excluding 14 November 2011 at the rate of 5.75 per cent. per annum in respect of the Euro Notes annually in arrear. Thereafter, the rate of interest for each Tranche of Notes will be recalculated as described herein. Following 14 November 2011, the interest on the Euro Notes will be payable quarterly in arrear on each Interest Payment Date (as defined herein under "Terms and Conditions of the Euro Notes") and the interest on the Sterling Notes will continue to be payable annually in arrear. Payments of principal and interest on the Notes may, in certain circumstances, be deferred. See "Terms and Conditions of the Sterling Notes – 5 Deferral of Payments" and "Terms and Conditions of the Euro Notes – 5 Deferral of Payments". The Sterling Notes mature on 14 November 2036 and the Euro Notes mature on the Interest Payment Date falling on, or nearest to, 14 November 2021. Payments in respect of the Notes will be made without deduction for or on account of taxes of the United Kingdom, unless such deduction is required by law. In the event that any such deduction is made, the Notes will be subject to grossing up by the Issuer, subject to certain exceptions as are more fully described under "Terms and Conditions of the Sterling Notes – 9 Taxation" and "Terms and Conditions of the Euro Notes – 9 Taxation".

Subject to obtaining the prior consent of the Financial Services Authority ("FSA") and any other relevant regulatory approval (if so required), (i) the Euro Notes are redeemable in whole (but not in part), at the option of the Issuer, at the aggregate principal amount thereof (together with accrued interest and any Arrears of Interest (as defined herein)) on 14 November 2011 and on any Interest Payment Date (as defined under the Terms and Conditions of the Euro Notes) thereafter, and (ii) the Sterling Notes are redeemable in whole (but not in part) at the option of the Issuer at the aggregate principal amount thereof (together with accrued interest and any Arrears of Interest) on 16 November 2026 or any Reset Date (as defined in the "Terms and Conditions of the Sterling Notes") thereafter. In addition, subject to the Issuer having obtained the prior consent of the FSA and any other relevant regulatory approval (if so required), each Tranche of the Notes is redeemable in whole (but not in part) at the option of the Issuer in the case of the Sterling Notes, at any time, and in the case of the Euro Notes, at any time prior to 14 November 2011 and thereafter only on an Interest Payment Date, if a Tax Event (as defined in "Terms and Conditions of the Sterling Notes – 6 Redemption and Purchase" and "Terms and Conditions of the Euro Notes – 6 Redemption and Purchase") occurs at their principal amount together with any accrued interest and any Arrears of Interest. See "Terms and Conditions of the Sterling Notes – 6 Redemption and Purchase" and "Terms and Conditions of the Euro Notes – 6 Redemption and Purchase", respectively. Each Tranche is also redeemable in whole (but not in part), at the option of the Issuer, in the case of the Sterling Notes, at any time and, in the case of the Euro Notes, at any time prior to 14 November 2011 and thereafter only on an Interest Payment Date if the Issuer satisfies the Trustee that a Capital Disqualification Event (as defined in "Terms and Conditions of the Sterling Notes – 6 Redemption and Purchase" and "Terms and Conditions of the Euro Notes – 6 Redemption and Purchase", respectively) occurs, at their Special Redemption Price (as defined in "Terms and Conditions of the Sterling Notes – 6 Redemption and Purchase" and "Terms and Conditions of the Euro Notes – 6 Redemption and Purchase", respectively) if the date of redemption falls on or before 14 November 2011 in respect of the Euro Notes or on or before 16 November 2026 in respect of the Sterling Notes and at their principal amount if the date of redemption falls thereafter together, in each case, with any accrued interest and any Arrears of Interest. See "Terms and Conditions of the Sterling Notes – 6 Redemption and Purchase" and "Terms and Conditions of the Euro Notes – 6 Redemption and Purchase", respectively. The Notes constitute subordinated obligations of the Issuer, as described under "Terms and Conditions of the Sterling Notes – 2 Status and Subordination" and "Terms and Conditions of the Euro Notes – 2 Status and Subordination". The Notes will rank on a winding up of the Issuer in priority to all undated or perpetual subordinated obligations of, and share capital in, the Issuer.

Application has been made to the FSA in its capacity as competent authority under the Financial Services Act 1986, as amended, (the "UK Listing Authority") for the Notes to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on a recognised investment exchange. Copies of this Offering Circular, which comprises listing particulars which have been approved by the UK Listing Authority, have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986, as amended.

Each Tranche of Notes will initially be represented by a temporary global note (each a "Temporary Global Note"), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank, S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 14 November 2001 (the "Closing Date"). Each Temporary Global Note will be exchangeable for interests in a permanent global note (each a "Permanent Global Note"), without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for definitive notes only in certain limited circumstances, as described under "Terms and Conditions of the Sterling Notes – 1 Form, Denomination and Transfer" and "Terms and Conditions of the Euro Notes – 1 Form, Denomination and Transfer", respectively.

Joint bookrunners

BARCLAYS CAPITAL

LEHMAN BROTHERS

(Structuring Adviser)

MERRILL LYNCH INTERNATIONAL

SOCIÉTÉ GÉNÉRALE

Co managers

ABN AMRO

HSBC

**THE ROYAL BANK OF SCOTLAND,
FINANCIAL MARKETS**

12 November 2001

This document comprises listing particulars given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, as amended, by the UK Listing Authority for the purposes of giving information with regard to the Issuer, the Group and the Notes. The Issuer accepts responsibility for all the information contained in this Offering Circular. To the best of the Issuer's knowledge and belief (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

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

IN CONNECTION WITH THESE ISSUES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE STERLING NOTES AND THE EURO NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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TERMS AND CONDITIONS OF THE STERLING NOTES

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

The £700,000,000 6.125 per cent. Fixed/Fixed Rate Reset Subordinated Notes due 2036 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of CGNU plc (the “Issuer”) are constituted by a trust deed (the “Trust Deed”) dated 14 November 2001 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “Noteholders”). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 19 September 2001, and resolutions of a duly authorised committee of the Board of Directors passed on 18 October 2001. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the “Paying Agency Agreement”) dated 14 November 2001 made between the Issuer, HSBC Bank plc as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor thereto) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”), HSBC Bank plc as calculation agent (the “Calculation Agent”, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the “Coupons”) appertaining to Notes in definitive form (the “Couponholders”) at the registered office of the Trustee, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

1. Form, Denomination and Transfer

(a) Form and Denomination

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

(b) Global Notes

The Notes are initially represented by a temporary global note (the “Temporary Global Note”) in bearer form, without Coupons attached, in the principal amount of £700,000,000 deposited with a common depositary (the “Common Depositary”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) on 14 November 2001. Not earlier than 27 December 2001, the Temporary Global Note is exchangeable for a further global note in bearer form, without Coupons attached, in the principal amount of up to £700,000,000 (the “Permanent Global Note”). Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the “Global Notes”. The Permanent Global Note will only be exchangeable for definitive Notes in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) of this Condition 1). The Issuer and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) of this Condition 1) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).

(c) Transfers

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

(d) **Title**

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

(e) **Definitive Notes**

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

2. Status and Subordination

The Notes constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank, *pari passu* without any preference among themselves. The Notes will rank on a winding up of the Issuer in priority to all undated or perpetual subordinated obligations of the Issuer.

The claims of the Noteholders against the Issuer in respect of payments pursuant to the Notes will, in the event of a winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 3) of the Issuer.

As used in this Condition 2, the expression “**obligations**” includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off.

On a winding-up of the Issuer there may be no surplus assets available to meet the claims of the Noteholders after the claims of the Senior Creditors (as defined below) have been satisfied.

3. Definitions

As used in these Conditions:

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

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

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

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

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

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

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

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

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

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

“**Deferred Maturity Date**” means the day following the second anniversary of the Maturity Date;

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

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

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

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

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

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

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

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

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

“**Interest Payment Date**” means 14 November in each year, commencing 14 November 2002, except in 2026 when it shall mean 16 November;

“**Issue Date**” means 14 November 2001;

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

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

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

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

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

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

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

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

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

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

“Reference Bond” means the 6 per cent. Treasury Stock due December 2028, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to 16 November 2026, as the Calculation Agent may, with the advice of Reference Market Makers, determine to be appropriate by way of substitution for the 6 per cent. Treasury Stock due December 2028;

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

“Reference Market Makers” means three brokers of gilts and/or gilt edged market makers selected by the Calculation Agent and approved for this purpose by the Trustee or such other three persons operating in the gilt edged market as are selected by the Calculation Agent and approved for this purpose by the Trustee in consultation with the Issuer;

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

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

“Relevant Rules” has the meaning given in Condition 6(e);

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

“**Reset Date**” means 16 November 2026 and each Interest Payment Date falling on or nearest to the fifth anniversary of the preceding Reset Date;

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

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

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

“**Special Redemption Price**” means, in respect of each Note, the higher of (a) the principal amount of such Note and (b) the price expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. on the Reference Date of the Reference Bond plus seventy-five basis points;

“**Substitute Obligor**” has the meaning given in Condition 11;

“**Substituted Territory**” has the meaning given in Condition 11;

“**Supervisory Consent**” means the consent of the FSA to the relevant redemption, payment, repayment, purchase, amendment or modification, as the case may be;

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

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

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

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

4. Interest

(a) Rate of Interest

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

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

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

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

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

(b) Interest Accrual

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

(c) Initial Rate of Interest

For the period from, and including, the Issue Date to, but excluding, 16 November 2026, the Notes bear interest at the rate of 6.125 per cent. per annum (the “**Initial Interest Rate**”).

(d) **Reset Rate of Interest**

From (and including) 16 November 2026, the rate of interest payable on the Notes in respect of each Interest Calculation Period (the “**Reset Rate of Interest**”) will be the rate per annum which is the aggregate of 2.85 per cent. and the Gross Redemption Yield of the Benchmark Gilt in respect of such Interest Calculation Period with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to four decimal places) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Market Makers at 3.00 p.m. (London time) on the relevant Determination Date on a dealing basis for settlement on the next following dealing day in London.

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

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

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

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

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

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

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

5. Deferral of Payments

(a) **Optional Deferral of Interest**

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

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

(b) **Arrears of Interest**

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Condition 5(a), will automatically become immediately due and payable (without Supervisory Consent) upon the earliest of the following dates (the “**Resumption Date**”):

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

(c) Deferral of Principal

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

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

(d) No default

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

6. Redemption and Purchase

(a) Final Redemption

Subject to Condition 5(c) and Condition 6(d), unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 November 2036 (the “**Maturity Date**”).

(b) Redemption for taxation reasons

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

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

(each such event, a “**Tax Event**”) the Issuer may, at its option, having obtained Supervisory Consent (so long as such consent is required) and having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes, at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(b) on or prior to the expiration of the notice referred to below, the Issuer may at its option, having obtained Supervisory Consent (so long as such consent is required) and any other regulatory consents or approvals to the extent required to enable the Notes to be capable of counting as cover for the minimum or notional margin of solvency of the Issuer under the Directive or the Relevant Rules and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) redeem all, but not some only, of the Notes on any Reset Date at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest.

(d) **Deferred Redemption**

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

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

If the Issuer satisfies the Trustee prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having obtained Supervisory Consent (so long as such consent is required) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem at any time all, but not some only, of the Notes at their Special Redemption Price if the date of redemption falls on or before the first Reset Date and at their principal amount if the date of redemption falls thereafter together, in each case, with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

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

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

(f) **Purchases**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) for the time being may, having obtained Supervisory Consent (so long as such consent is required) and at any time, purchase Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons (if any) appertaining thereto. If purchases are made by tender, tenders must be available to all Noteholders alike.

(g) **Cancellation**

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

7. **Payments**

(a) **Method of Payment**

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

(b) Effect of Redemption on unmatured Coupons

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

(c) Payment on business days

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

(d) Paying Agents

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

(e) Notice

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

(f) Definitive Notes

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

8. Events of Default and Enforcement

(a) Events of Default

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

- (i) subject to the provisions of Condition 5, default is made for a period of ten days or more in the payment of any interest due in respect of the Notes or any of them; or

- (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

(b) Proceedings for Winding-up

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

(c) Enforcement

Without prejudice to paragraph (a) or (b) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(d) Entitlement of the Trustee

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

(e) Right of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

(f) Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

9. Taxation

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

- (i) to, or to a third party on behalf of, a holder who (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or similar claim for

exemption but, in either case, fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than a mere holding of such Note or Coupon;

- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union;
- (iv) presented for payment more than 30 days after the relevant date except to the extent that the Noteholder or Couponholder, as the case may be, would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (v) where such Note or Coupon is presented for payment in the United Kingdom.

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

10. Prescription

Notes and Coupons will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto.

11. Meetings of Noteholders, Modification, Waiver and Substitution

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

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

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

The Trustee may agree (subject to the Trust Deed), without the consent of the Noteholders or Couponholders, to any modification (except as set out above in relation to the higher quorum requirements at any meeting of Noteholders) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error. No modification to these Conditions or any other provisions of the Trust Deed (other than a modification which is of a formal, minor or technical nature or to correct a manifest error) shall become effective unless the prior Supervisory Consent thereto shall have been obtained (so long as there is a requirement to obtain such consent).

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

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes and the Coupons, if any, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes and the Coupons, if any, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the Issuer’s successor in business is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes and the Coupons are guaranteed by the Issuer (or the Issuer’s successor in business) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) without prejudice to the rights of reliance of the Trustee under (iii) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of (i)) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, if any, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons, if any, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the “**Issuer’s Territory**”) the Substitute Obligor, will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to the Issuer’s Territory, of references to the Substituted Territory whereupon the Trust Deed, the Notes and the Coupons, if any, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

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

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

12. Replacement of the Notes and Coupons

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

13. Indemnification of the Trustee

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

14. Notices

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

15. Further Issues

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

16. Contracts (Rights of Third Parties) Act 1999

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

17. Governing Law

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

TERMS AND CONDITIONS OF THE EURO NOTES

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

The €800,000,000 5.75 per cent. Fixed/Floating Rate Subordinated Notes due 2021 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of CGNU plc (the “Issuer”) are constituted by a trust deed (the “Trust Deed”) dated 14 November 2001 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “Noteholders”). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 19 September 2001 and resolutions of a duly authorised committee of the Board of Directors passed on 18 October 2001. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the “Paying Agency Agreement”) dated 14 November 2001 made between the Issuer, HSBC Bank plc as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor thereto) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”), HSBC Bank plc as agent bank (the “Agent Bank”, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the “Coupons”) and talons for further Coupons (the “Talons”) appertaining to Notes in definitive form (the “Couponholders”) at the registered office of the Trustee, being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

1. Form, Denomination and Transfer

(a) Form and Denomination

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

(b) Global Notes

The Notes are initially represented by a temporary global note (the “Temporary Global Note”) in bearer form, without Coupons or Talons attached, in the principal amount of €800,000,000 deposited with a common depository (the “Common Depository”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) on 14 November 2001. Not earlier than 27 December 2001, the Temporary Global Note is exchangeable for a further global note in bearer form, without Coupons or Talons attached, in the principal amount of up to €800,000,000 (the “Permanent Global Note”). Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the “Global Notes”. The Permanent Global Note will only be exchangeable for definitive Notes in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) of this Condition 1). The Issuer and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) of this Condition 1) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).

(c) Transfers

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

(d) **Title**

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

(e) **Definitive Notes**

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

2. Status and Subordination

The Notes constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank, *pari passu* without any preference among themselves. The Notes will rank on a winding up of the Issuer in priority to all undated or perpetual subordinated obligations of the Issuer.

The claims of the Noteholders against the Issuer in respect of payments pursuant to the Notes will, in the event of a winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 3) of the Issuer.

As used in this Condition 2, the expression “**obligations**” includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off.

On a winding-up of the Issuer there may be no surplus assets available to meet the claims of the Noteholders after the claims of the Senior Creditors (as defined below) have been satisfied.

3. Definitions

As used in these Conditions:

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

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

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

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

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

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

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

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

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

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

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

“**Deferred Maturity Date**” means the day following the second anniversary of the Maturity Date;

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

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

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

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

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

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

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

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

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

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

“**Interest Payment Date**” means 14 November in each year commencing 14 November 2002, up to and including the Reset Date and thereafter, subject as provided in Condition 5, 14 February, 14 May, 14 August and 14 November in each year;

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

“**Issue Date**” means 14 November 2001;

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

“**Make Whole Premium**” means the excess, if any, of (i) the present value of the future Debt Service on the Note discounted at seventy-five basis points above the then current yield on the 5 per cent German Bundesobligationen due July 2011 (or, if such security is no longer in issue, such other German Bundesobligationen with a maturity date as near as possible to 14 November 2011 on the Reference Date, as the Agent Bank may, with the advice of Reference Euro Market Makers, determine to be appropriate by way of substitution for the 5 per cent German Bundesobligationen due July 2011 over (ii) the outstanding principal amount of such Note;

“**Margin**” means 2.12 per cent.;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Reset Date" means 14 November 2011;

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

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

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

“**Substitute Obligor**” has the meaning given in Condition 11;

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

“**Supervisory Consent**” means the consent of the FSA to the relevant redemption, payment, repayment, purchase, amendment or modification, as the case may be;

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

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

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

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

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

“**Treaty**” means the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992);

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

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

4. Interest

(a) Rate of Interest

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

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

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

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

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

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof (which shall be the Maturity Date (or, as the case may be, the Deferred Maturity Date) or any earlier date for redemption of the Notes pursuant to Condition 6(b), (c) or (e)) unless, upon due presentation, payment of principal in

respect of the Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

(c) Fixed Rate of Interest

For the Fixed Rate Interest Period, the Notes bear interest at the rate of 5.75 per cent. per annum (the “Fixed Interest Rate”).

(d) Floating Rate of Interest

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

- (i) On each Interest Determination Date the Agent Bank will determine the offered rate (expressed as a rate per annum) for three month Euro deposits as at 11.00 a.m. (Central European time) on such Interest Determination Date, as displayed on the display designated as page “248” on the Bridge/Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Rate of Interest for the Interest Period immediately succeeding the Interest Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Euro-zone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter bank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Rate of Interest for the Interest Period immediately succeeding the relevant Interest Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Interest Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Rate of Interest for the Interest Period immediately succeeding such Interest Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading European banks for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Rate of Interest for such Interest Period shall be either (1) the Floating Rate of Interest in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 4(d) shall have applied or (2) if none, 5.75 per cent. per annum.

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

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

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

The Issuer shall cause notice of the Floating Rate of Interest determined in accordance with this Condition 4 in respect of each relevant Interest Period and of the Coupon Amounts and the relevant Interest Payment Date to be given to the Trustee, the Paying Agents, any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders as soon as practicable after its determination but in any event not later than the fourth business

day thereafter. As used in this paragraph (f), “**business day**” means a day (not being a Saturday or Sunday) on which banks are open for business in London.

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

(g) Determination or Calculation by Trustee

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

(h) Agent Bank

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

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

(i) Determinations of Agent Bank or Trustee Binding

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

5. Deferral of Payments

(a) Optional Deferral of Interest

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

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

(b) Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Condition 5(a), will automatically become immediately due and payable (without Supervisory Consent) upon the earliest of the following dates (the “**Resumption Date**”):

- (i) the date on which the Issuer declares a dividend or other distribution or payment on any class of its share capital or pays interest on any other junior or *pari passu* ranking securities;

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

(c) Deferral of Principal

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

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

(d) No default

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

6. Redemption and Purchase

(a) Final Redemption

Subject to Condition 5(c) and Condition 6(d), unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 14 November 2021 (the “Maturity Date”).

(b) Redemption for taxation reasons

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

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

(each such event, a “Tax Event”) the Issuer may, at its option, having obtained Supervisory Consent (so long as such consent is required) and having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes, at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest at any time prior to the Reset Date and thereafter only on an Interest Payment Date.

(c) Redemption at the Option of the Issuer

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(b) on or prior to the expiration of the notice referred to below, the Issuer may at its option, having obtained Supervisory Consent (so long as such consent is required) and any other regulatory consents or approvals to the extent required to enable the Notes to be capable of counting as cover for the minimum or notional margin of

solvency of the Issuer under the Directive or the Relevant Rules and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) redeem all, but not some only, of the Notes on the Reset Date or any Interest Payment Date thereafter at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest.

(d) Deferred Redemption

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

(e) Optional Redemption due to Capital Disqualification Event

If the Issuer satisfies the Trustee prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having obtained Supervisory Consent (so long as such consent is required) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem at any time prior to the Reset Date and thereafter only on an Interest Payment Date all, but not some only, of the Notes at their Special Redemption Price if the date of redemption falls on or prior to the Reset Date and at their principal amount if the date of redemption falls thereafter together, in each case, with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

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

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

(f) Purchases

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) for the time being may, having obtained Supervisory Consent (so long as such consent is required) and at any time, purchase Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto. If purchases are made by tender, tenders must be available to all Noteholders alike.

(g) Cancellation

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

7. Payments

(a) Method of Payment

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

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

Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons (other than Coupons in respect of which there exist any Arrears of Interest) relating to such Note

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

(c) Surrender of Talons

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

(d) Payment on business days

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

(e) Paying Agents

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

(f) Notice

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

(g) Definitive Notes

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

8. Events of Default and Enforcement

(a) Events of Default

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

- (i) subject to the provisions of Condition 5, default is made for a period of ten days or more in the payment of any interest due in respect of the Notes or any of them; or

- (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

(b) Proceedings for Winding-up

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

(c) Enforcement

Without prejudice to paragraph (a) or (b) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(d) Entitlement of the Trustee

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

(e) Right of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

(f) Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

9. Taxation

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

- (i) to, or to a third party on behalf of, a holder who (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or

similar claim for exemption but, in either case, fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than a mere holding of such Note or Coupon;

- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union;
- (iv) presented for payment more than 30 days after the relevant date except to the extent that the Noteholder or Couponholder, as the case may be, would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (v) where such Note or Coupon is presented for payment in the United Kingdom.

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

10. Prescription

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

11. Meetings of Noteholders, Modification, Waiver and Substitution

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

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

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

The Trustee may agree (subject to the Trust Deed), without the consent of the Noteholders or Couponholders, to any modification (except as set out above in relation to the higher quorum requirements at any meeting of Noteholders) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error. No modification to these Conditions or any provisions of the Trust Deed (other than a modification which is of a formal, minor or technical nature or

to correct a manifest error) shall become effective unless the prior Supervisory Consent thereto shall have been obtained (so long as there is a requirement to obtain such consent).

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

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, if any, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, if any, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the Issuer’s successor in business is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the Issuer’s successor in business) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) without prejudice to the rights of reliance of the Trustee under (iii) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of (i)) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, if any, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, if any, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the “**Issuer’s Territory**”) the Substitute Obligor, will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to the Issuer’s Territory, of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, if any, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

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

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

12. Replacement of the Notes, Coupons and Talons

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

13. Indemnification of the Trustee

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

14. Notices

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

15. Further Issues

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

16. Contracts (Rights of Third Parties) Act 1999

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

17. Governing Law

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

1. Exchange

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

2. Payments

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

3. Notices

So long as any Tranche of Notes is represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the applicable Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the relevant Conditions.

4. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest including any arrears of interest) from the Relevant Date (as defined in Condition 3 of each Tranche of Notes).

5. Purchase and Cancellation

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

6. Trustee’s Powers

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

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately £687,575,000 plus €794,720,000, will be used to fund the general business and commercial activities of the Group.

DESCRIPTION OF THE GROUP

Overview

The Issuer is the holding company for one of the world's leading global insurance groups. The CGNU group of companies (the "Group") is the world's seventh-largest insurance group¹ and one of the top-five life companies¹ in Europe. Its main activities are long-term savings, fund management and general insurance. The Group is the United Kingdom's largest life and general insurer, with market shares of approximately 11% and 19% respectively as at 30 June 2001.

The table below shows the analysis of operating profit from ongoing business² from the Group's major operations for the financial years ended 31 December 1999 and 2000 and the six-month period ended 30 June 2001:

Achieved operating profit before tax – ongoing business ²	For the		
	six months		For the year ended
	ended 30 June 2001	31 December 2000	31 December 1999*
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Life achieved operating profit	857	1,569	1,407
Fund management	24	61	66
General insurance and health	459	480	483
Non-insurance operations	(7)	(24)	(20)
Corporate costs	(81)	(185)	(162)
Unallocated interest charges			
– internal	(125)	(210)	(143)
– external	(90)	(151)	(97)
	1,037	1,540	1,534
Wealth management	(60)	(133)	–
Achieved operating profit before tax – ongoing business²	977	1,407	1,534
Modified statutory basis operating profit before tax	728	1,028	1,299

* Results for 1999 based on restatement of CGU plc and Norwich Union plc.³

In reporting the Group's headline operating profit, life profits have been included using the achieved profit basis. The basis used for reporting achieved operating profit is consistent with the draft guidance circulated by the Association of British Insurers. The Group has focused on the achieved profit basis, as the Group believes that life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. The achieved profit basis is used throughout the Group, and by many in the investment community, to assess performance. The modified statutory basis, which is used in the statutory financial statements, is also identified in the headline figures. Life modified statutory operating profit before tax for the six months to 30 June 2001 amounted to £608 million (year ended 31 December 2000: £1,190 million; year ended 31 December 1999: £1,172 million).

The Group was formed by the merger of CGU plc (renamed CGNU plc on completion of the merger) and Norwich Union plc on 30 May 2000. The Issuer is incorporated in England as a public limited company, number 2468686.

The authorised share capital of the Issuer is £950,000,000 divided into 3,000 million ordinary shares of 25p each, of which 2,253,098,604 had been issued at 30 June 2001 and are fully paid up, and 200,000,000 irredeemable preference shares of £1 each, all of which have been issued and are fully paid.

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

1 Based on gross written premiums on ongoing business for year ended 31 December 2000.

2 Ongoing business represents the results of those businesses which form part of the continuing operations of the Group and do not include the results of the United States general insurance business and London Market operations which were disposed of in June 2001 and December 2000 respectively.

3 The restated figures reflect the principles of merger accounting, in accordance with Financial Reporting Standard 6 "Acquisitions and Mergers" and the restatement of dividend income in CGU plc in accordance with Financial Reporting Standard 16 "Current tax".

Corporate History

On 21 February 2000, CGU plc and Norwich Union plc announced plans to merge their respective businesses. On 30 May 2000, CGU plc changed its name to CGNU plc and the merger was effected by way of a scheme of arrangement of Norwich Union plc under section 425 of the Companies Act 1985. Under the terms of the scheme, Norwich Union shareholders had their then existing ordinary shares replaced by new ordinary shares in CGNU plc. CGU plc shareholders' rights were unaffected.

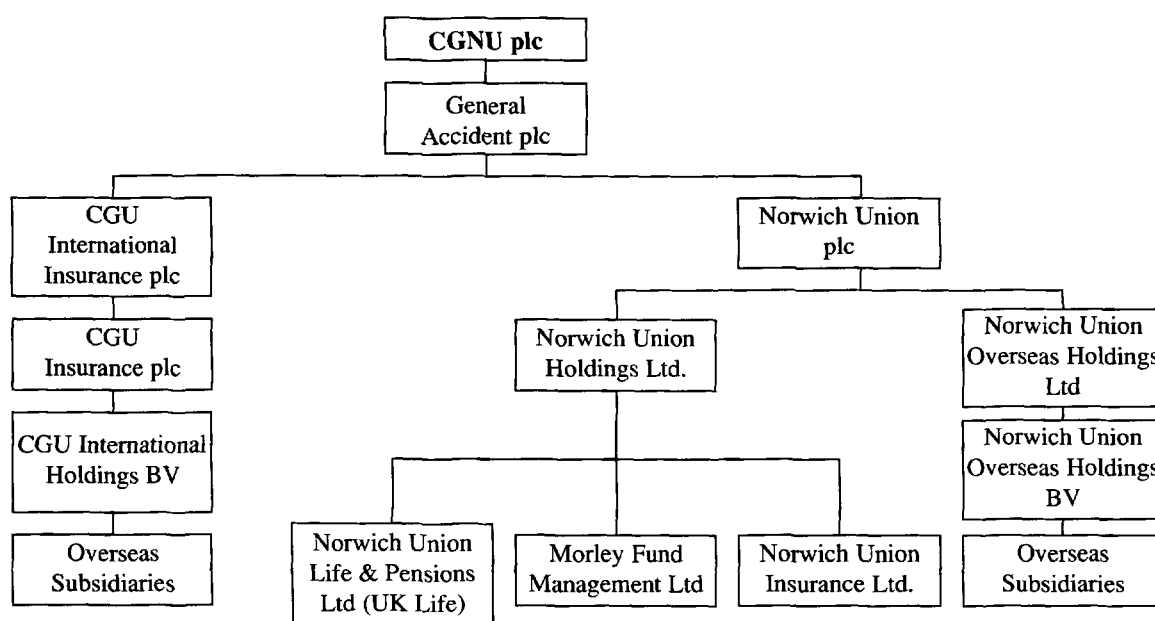
On 30 May 2000, 931 million new ordinary shares in CGNU plc (which rank *pari passu* with the then existing ordinary shares of CGNU plc, with a total market value of £9,528 million) were issued to Norwich Union plc shareholders in return for Norwich Union plc ordinary shares in a ratio of 48 CGNU plc ordinary shares for every 100 Norwich Union plc ordinary shares.

The businesses of both CGU plc and Norwich Union plc had corporate histories of considerable duration. CGU plc was formed in 1998 by the merger of Commercial Union and General Accident. Commercial Union Assurance Company was established in 1861, General Accident was founded in 1885 and Norwich Union was founded in 1797.

CGU plc and Norwich Union plc were both major insurers operating successfully in the long-term savings and general insurance markets. Against the background of increasing competition and consolidation in the European financial services industry, the merger enabled the improvement of the competitive position of the combined group as well as providing significant opportunities for cost savings and improving operating efficiency.

Organisational structure

The following chart shows at 30 June 2001, in simplified form, the organisational structure of the Group:



The majority of overseas subsidiaries are held by CGU International Holdings BV (Netherlands).

The business of the Group

Business

Overview

The Group is predominantly a life assurance company and its activities are long-term savings, fund management and general insurance. For the year ended 31 December 2000, it had worldwide premium and investment sales of £27 billion from ongoing business² and more than £200 billion in assets under management as at 30 June 2001. The Group had over 70,000 employees over the course of 2000 and more than 15 million customers.

The main Group operations are summarised below.

1. Long-term savings operations

The long-term savings business is the focus of the Group and its principal source of growth. It meets the growing need on the part of ageing and increasingly wealthy populations for pensions, savings and healthcare products and accounts for 64% of the Group by net premium written and investment sales for the year ended 31 December 2000. For the year ended 31 December 2000, the Group reported £11 billion of life and savings new business sales, £14.8 billion net premiums written and £483 million of new business contribution. Its aims and priorities are to capitalise on the growing market for long-term savings as governments encourage greater private provision for pensions, savings and healthcare products.

The table below shows a geographical analysis of the net premium written, including sales of investment products, by each long-term savings business unit for the years ended 31 December 2000 and 1999 and for the six-month period to 30 June 2001:

Net premium written and investment sales	For the	For the year ended	
	six months ended 30 June 2001	31 December 2000	31 December 1999*
	£m	£m	£m
UK	4,927	9,445	8,212
France	1,127	2,124	2,420
Ireland	321	539	375
Italy	440	378	953
Netherlands (including Belgium and Luxembourg)	710	2,103	1,101
Poland	376	618	334
Spain	351	428	104
Other Europe	300	748	491
International	429	966	1,058
	8,981	17,349	15,048

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

Market position

Through Norwich Union, the Group is the UK's leading long-term savings company with a market share of over 11% (based on annual premium equivalent⁴) which represents 32% of the Group's business by net premium written for the year ended 31 December 2000. The Group has a number of representations in the European market and has top-five⁵ positions in the Netherlands, Ireland, Poland, Spain and Turkey. The Group's businesses in France and Italy also have strong market positions.

In the six months ended 30 June 2001, the Group achieved record half-year new business sales of £7.1 billion with strong performances in all its major businesses and consolidating the positions of these businesses in their local marketplaces.

4 Standard industry measure representing annual premiums and 10% of single premiums.

5 Determined by measures used within the Group's operations.

2 *ibid*, p.32.

3 *ibid*, p.32.

Results for the years ended 31 December 2000 and 1999 and for the six months ended 30 June 2001

The table below presents the life achieved operating profit by each business unit for the years ended 31 December 2000 and 1999 and for the six-month period to 30 June 2001:

Life achieved operating profit	For the	For the year ended	
	six months ended	31 December	31 December
	30 June	2000	1999*
	2001		
	£m	£m	£m
UK	473	938	837
France	110	204	131
Ireland	37	68	53
Italy	24	29	43
Netherlands (including Belgium and Luxembourg)	93	179	163
Poland	44	95	117
Spain	31	42	13
Other Europe	28	(15)	(6)
International	17	29	56
	857	1,569	1,407

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

Brand and products

The Group's long-term savings businesses offer a broad range of life assurance and asset accumulation products, including pensions and savings products and unit trusts. For individual customers, the Group offers regular premium life products such as whole life, term assurance and mortgage protection policies. The individual asset accumulation products include life investment bonds, personal pensions, mortgage endowment products and annuities. In the group market, the products offered are corporate pensions and group personal pensions. The Group's life businesses operate under local brand names which are known in the local marketplace.

United Kingdom

In the United Kingdom, the combined long-term savings business was launched under the new Norwich Union brand identity in October 2000. The brand has been widely advertised with the message "Together we're stronger". The launch also saw the unveiling of more than 50 new life, pensions, investment and healthcare products and is one of the largest ranges of any life insurer in the UK. In April 2001, Norwich Union launched its stakeholder pension products in the United Kingdom. It was one of the first four companies to be formally registered as a stakeholder pensions provider and is represented on all major national independent financial adviser (IFA) stakeholder panels. In the six months ended 30 June 2001, the Group has achieved £43 million of stakeholder sales. The business continues to develop products to meet the changes in the market place.

Europe

Continental Europe represents 38% of the Group's long-term savings business by net premiums written as at 31 December 2000. The Group operates in France principally as Abeille vie, Ireland under the Hibernian brand and in the Netherlands through Delta Lloyd Nuts Ohra (DLNO). Abeille vie has two particular strengths: the savings products from AFER (the largest savings organisation in France) and its unit linked business. In Ireland, the relaunch of Hibernian created a single strong brand ranking fourth in its sector. DLNO uses the brand names Delta Lloyd and Ohra to provide a wide range of products, from simple savings to complex insurance and financial planning services. In Spain the Plus Ultra and Aseval brands are used and in Italy the products distributed through bancassurance networks use CU Life and CU Vita in conjunction with Italian banks' brands.

The Group also has long-term savings operations in the United States, Australia and Asia.

³ *ibid*, p.32.

Distribution

The Group's life businesses sell their long-term savings products through multi-distribution capabilities, including brokers and other intermediaries, corporate partnerships and bancassurance as well as direct to the customers.

UK

Norwich Union is a leading IFA provider, and IFAs provide around 75% of the UK group's long-term savings business. The UK Group has an increasing commitment to the IFA channel and also uses the distribution capabilities in its expanding partnership arrangements, its salaried sales forces and direct telesales operations. The partnership with the Royal Bank of Scotland Group (RBSG) combines the market-leading life capability of Norwich Union with RBSG's distribution power in the retail market and gives access to approximately 10 million personal customers. New products have been launched through the Nat West Life and Royal Scottish Assurance businesses in June and August 2001. The Group has launched in May 2001 its online wealth management service, norwichunion.com, which offers a range of financial management tools and an integrated portfolio of competitive customer propositions, and will include share dealing, a fund supermarket and banking.

Europe

In France, Abeille vie sells its products through tied agents, brokers, the AFER Savings Association, a salaried sales force and direct marketing. In the Netherlands, DLNO sells through both the direct and independent intermediary channels. Products are sold in Ireland via the IFA market and in Poland and Turkey through direct sales force and direct operations respectively.

In the rest of continental Europe, the Group has multi-distribution capabilities including a number of bancassurance arrangements, whereby the Group's products are sold to customers of banks and building societies. In Spain, the agreement with Bancaja gives access to 2.4 million potential customers through some 1,090 branches. Bancassurance is the dominant form of distribution in Spain and represents over 80% of life new business. In 2001, the Group has announced two further agreements with Unicaja and Caixa Galicia which, combined with the existing arrangement with Bancaja, will give access to approximately 6.7 million customers and 2,500 branches. This will give the Group the second-largest savings bank distribution network and the fourth amongst all banking networks in Spain. In Italy, the agreements with Unicredito Italiano, Banca Popolare di Lodi and Banca delle Marche will give access to a total of more than 2,000 branches by the end of 2001. As in Spain, bancassurance is the dominant form of distribution in Italy and represents over 75% of life new business. In Romania there is a smaller distribution agreement with Société Générale and in the Netherlands products are also distributed through the Delta Lloyd bank.

International

In the United States, the Group's long-term savings business is well advanced in its use of e-technology and has distribution agreements with several leading banks, including Wells Fargo and HSBC.

2. Fund Management

With more than £200 billion of assets under management as at 30 June 2001, the Group is one of the top 10 fund managers in Europe and the second-largest UK-based fund manager. The fund management business invests the policyholders' funds, seeks third-party mandates, as well as developing and selling retail investment products. Its main operations are in the United Kingdom, France, the Netherlands and Australia.

Results for the years ended 31 December 2000 and 1999 and for the six months ended 30 June 2001

The table below presents the operating profit by each business unit in the fund management operations of the Group for the years ended 31 December 2000 and 1999 and for the six-month period to 30 June 2001:

Operating profit

	For the six months ended	For the year ended	
	30 June 2001	31 December 2000	31 December 1999*
	£m	£m	£m
UK	5	16	37
France	6	9	5
Netherlands	4	13	4
Other Europe	1	2	2
Australia	5	16	16
United States	3	5	2
	24	61	66

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

Market position

The Group is one of the major institutional investors in the UK, with assets under management totalling £128 billion as at 31 December 2000. Morley Fund Management, the institutional investment brand in the UK, continues to build its standing with the external consultant market and had secured £1.3 billion of new mandates in the six months to 30 June 2001. Norwich Union, the retail investment brand in the UK, is the UK's leading provider of Cat-standard individual savings accounts (Isas) and corporate bond Isas, and the seventh-ranked internet Isa provider in terms of Isa sales. Isa sales of £517 million in 2000 brought funds under management for Cat-standard products to over £2.5 billion. Total investment sales have continued to perform well in the first half of 2001 against the backdrop of a weak equity market and UK sales were £557 million.

In France, Victoire Asset Management's performance was recognised by a number of awards, including fund manager of the year for 2000 from *La Tribune* and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc. ("Standard & Pooors") for performance over a one-year period, out of 76 organisations offering more than 10 funds. In addition it was awarded the *grand prix de la gestion d'actifs* from top financial magazine *L'Agefi* for 2000. The Group's Dutch operation, Delta Lloyd Nuts Ohra, is one of the best-performing fund managers in the Netherlands, with £28 billion in assets under management as at 31 December 2000. Ohra was voted the best asset manager by the country's investors for 2000 and gained a further award for performance from the Nyfer business school.

The retail investment fund business in Australia offers the highly successful Navigator service to enable customers to build tailored investment portfolios drawing from a wide range of fund managers. This concept has been developed with great success in Australia with £2.4 billion of funds under administration as at 31 December 2000 and ranks second in the Australian market. The Group is transferring the Navigator concept to Europe as part of its internet-enabled offshore wealth management service based in Dublin. The service is available to wealthy individuals in the United Kingdom, Ireland, Spain and Italy.

3. General insurance and health

The Group's general insurance business focuses primarily on personal lines (typically home and motor cover) and the insurance needs of small businesses. The Group aims to lead in its chosen markets and to combine value for money with excellent customer service. General insurance and health insurance accounts for 36% of the Group by net premium written for the year ended 31 December 2000. In the year ended 31 December 2000, the Group reported general and health insurance net written premiums of £9,677 million and operating profit of £480 million from ongoing businesses². The discontinued businesses of the London Market operations and the US general

² *ibid*, p.32.

³ *ibid*, p.32.

insurance businesses, disposed of in December 2000 and June 2001 respectively, have been excluded from the analysis of operating profit to show the comparison for ongoing businesses.

The table below shows a geographical analysis of the net premium written by each business unit, for both general insurance and health insurance, for the years ended 31 December 2000 and 1999 and for the six-month period to 30 June 2001:

Net premium written – ongoing business ²	For the	For the year ended	
	six months ended 30 June 2001	31 December 2000	31 December 1999*
	£m	£m	£m
UK	2,582	5,141	4,812
France	442	732	754
Ireland	236	382	151
Netherlands	555	856	467
Other Europe	301	625	659
Australia and New Zealand	256	634	674
Canada	436	940	788
International	53	367	470
	4,861	9,677	8,775

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

Results for the years ended 31 December 2000 and 1999 and for the six months ended 30 June 2001

The table below presents the operating profit by each business unit, for both general insurance and health insurance, for the years ended 31 December 2000 and 1999 and for the six-month period to 30 June 2001:

Operating profit – ongoing business ²	For the	For the year ended	
	six months ended 30 June 2001	31 December 2000	31 December 1999*
	£m	£m	£m
UK	258	302	290
France	38	(103)	5
Ireland	17	21	15
Netherlands	29	46	18
Other Europe	15	20	22
Australia and New Zealand	26	82	15
Canada	50	78	93
International	26	34	25
	459	480	483

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

The operating profit of the ongoing businesses³ in the UK and France in 2000 includes costs in respect of a number of major weather events, principally the autumn floods in the UK estimated at £195 million and the late notification of storm claims in France of £90 million (31 December 1999: £69 million) following the December 1999 storms.

² *ibid*, p.32.

³ *ibid*, p.32.

Market position

The Group is the leading general insurer⁴ in the United Kingdom, Canada and Ireland and is one of the top-five⁵ in the Netherlands, Australia and New Zealand. The Group also operates in Asia and is one of the top-ten⁵ general insurers in Malaysia, Thailand, Singapore and Hong Kong. The Group's health businesses are in the UK, France and the Netherlands.

Classes of business and distribution

UK

As Norwich Union Insurance, the Group is the leading and largest provider of general insurance in the United Kingdom, more than 1.5 times the size of its nearest competitor, and has a 19% share of the market based on gross earned premiums. It has a focus on personal lines and small commercial business, and as at 31 December 2000 insured:

- one in five households,
- one in five motor vehicles,
- more than 700,000 businesses.

The strategy is to concentrate on leadership in personal lines and the needs of small businesses and has moved away from the larger commercial risks. The Group continues to reposition its portfolio by adopting a rigorous approach to the risks it accepts and by taking strong rating action. The Group is a fully integrated, multi-distribution insurance company. Part of the Group's commitment to exceeding customer expectations is to provide our products through a variety of distribution channels, whether via the internet, telephone direct, through a bank or building society or a high street broker.

Continental Europe

In France the Group operates as Abeille Assurances and CGU Courtage. Its business is predominantly motor and property and the main distribution channels are agents and brokers and the direct operation Eurofil. In the Netherlands the Group operates as Delta Lloyd and Ohra and is predominantly focused in the personal motor and property business and the commercial property and liability sectors.

International

The Group is the largest general insurer in Canada, where it trades as CGU, with over 10% of the market based on gross written premiums. Its products are distributed through brokers, agents and banks and following a recent agreement the products are now distributed through the Bank of Montreal. As the country's fourth largest insurer in terms of gross premiums, CGU Australia operates through a range of distribution channels and continues to grow by focusing on its most profitable lines of business. The recent acquisition of Fortis Australia will consolidate the Group's position in the motor dealer and financial institution channels.

4 *ibid*, p.34.

5 *ibid*, p.34.

Financial Results

The table below presents the profit after tax of the Group for the years ended 31 December 2000 and 1999 and the interim results for the six-month period to 30 June 2001:

Profit after tax	For the	For the year ended	
	six months ended 30 June 2001	31 December 2000	31 December 1999*
	£m	£m	£m
Achieved operating profit	977	1,407	1,534
Adjustment to modified statutory basis for life business	(249)	(379)	(235)
Modified statutory basis operating profit – ongoing business ²	728	1,028	1,299
Businesses discontinued	(21)	(554)	201
Other items	(61)	(121)	(56)
Exceptional items	-	(425)	(163)
Operating profit before tax	646	(72)	1,281
Short term fluctuation in investment returns	(446)	258	250
Change in equalisation provision	(22)	(27)	(55)
Profit/(loss) on sale of subsidiary undertakings	247	(1,058)	(8)
Loss on withdrawal from London Market operations	-	(448)	-
Merger transaction costs	-	(59)	-
Profit/(loss) on ordinary activities before tax	425	(1,406)	1,468
Tax	(270)	(255)	(382)
Profit/(loss) on ordinary activities after tax	155	(1,661)	1,086

* Results for 1999 based on restatement of CGU plc and Norwich Union plc. ³

The profit after tax in 31 December 2000 reflects the impact of the sale of the US general insurance business and the withdrawal from the London Market operations which resulted in a combined loss of £1,506 million. The exceptional items in 2000 comprise integration costs and the costs of reorganising the businesses of the former CGU plc and Norwich Union plc and in 1999 the costs of integration of the businesses of Commercial Union plc and General Accident plc. The short-term fluctuations reflect the difference in the actual investment return compared to the Group's long-term investment assumptions. The movements principally are as a result of the changes in the worldwide equity markets.

4. Recent developments

In 2001, the Group has continued its strategy of building positions in its key markets and withdrawing from lines of business or markets which do not offer the potential for market-leading positions or superior returns.

Acquisitions/new agreements

Bancassurance agreements in Spain

In June 2001, the Group announced a bancassurance partnership with Unicaja, the eighth-largest savings bank in Spain for an upfront consideration of £92 million. In July 2001, the Group announced a further partnership with Caixa Galicia, the tenth-largest banking group in Spain, for an upfront consideration of £89 million. Together with the Group's existing bancassurance arrangement with Bancaja, the Group has risen to fifth place in the Spanish life market and has access to nearly 2,500 branches and approximately 6.7 million customers.

Bancassurance agreement with DBS

In August 2001, the Group completed a partnership with DBS Group Holdings Limited (DBS), one of the largest banks in South East Asia. As part of this transaction, the Group acquired 100% of The Insurance Corporation of Singapore (ICS), DBS's life and general insurance subsidiary. The partnership is for ten years and will give the

³ *ibid*, p.32

Group exclusive access to DBS's Singapore customer base of approximately four million customers for the distribution of the life and general insurance products. The consideration for the acquisition of ICS and the bancassurance agreement was £152 million.

Other acquisitions

The Group has also made smaller acquisitions in strategic markets. In June 2001 the Group completed the acquisition of ABN Amro Magyar Elet es Nyugdijbiztosito Reszvenytarsag (Mebit), the sixth-largest life insurance business in Hungary based on gross premium income for a cash consideration of £63 million. In July 2001 the Group completed the acquisition of the general insurance business Fortis Australia Limited from the Fortis Group for a total consideration of £111 million. In July 2001, the Group announced an agreement to buy Bank Nagelmackers for £82 million which is an important step in the development of an asset accumulation proposition in Belgium.

New agreements

In February 2001, the Group announced a new distribution agreement with Unicredito Italiano. The distribution arrangement covers over 500 branches with 1.4 million customers and will extend the bank distribution network to over 2,000 branches by the end of 2001.

Disposals

In line with its strategy, the Group has continued to withdraw from businesses that it believes do not offer the potential for market-leading positions. During 2001, the Group has sold its wholly-owned life subsidiaries in Canada, Commercial Union Life Holdings Limited and Norwich Union Holdings (Canada) Limited, and the fund management business Quilter Holdings Limited in the UK. Total cash consideration received for these businesses was £222 million generating a profit on disposal of £65 million. The Group disposed of one of its general insurance businesses, State Insurance Limited in New Zealand for a total consideration of £125 million generating profit on disposal of £52 million.

The Group has also announced the sale of its general insurance operations in Belgium, Pakistan and Brazil, which will complete in the second half of 2001. Total proceeds from the disposal of these businesses will be approximately £87 million.

US sale

On 1 June 2001, the Group completed its sale of the US general insurance business thereby completing its exit from this general insurance market. In accordance with the sale agreement, the Group did not bear any continuing operating risk from 31 August 2000, nor provide any guarantees in respect of its claims reserves or balance sheet beyond that date, except for a capital injection of £141 million prior to disposal announced in February 2001 and charged in the year ended 31 December 2000.

Interim results

On 2 August 2001, the Group announced its unaudited interim results for the six months to 30 June 2001, summarised as follows:

	Six months ended 30 June	
	2001	2000
Consolidated profit and loss account data:		
Net premium written – Long-term savings, including investment sales	£8,981m	£8,522m
Net premium written – General and health insurance from ongoing business ²	£4,861m	£5,024m
Group achieved operating profit – ongoing business ²	£977m	£679m
New business margins	25.1%	23.9%*
General insurance combined operating ratio	103%	109%*
Consolidated balance sheet data:		
Shareholders' funds	£13,261m	£13,633m*
Net asset value per ordinary share	590p	606p*
Interim dividend per ordinary share	14.25p	14.25p

(* - as at 31 December 2000)

Long-term savings net premium written increased by £459 million to £8,981 million in the first six months of 2001, an increase of 6% at constant exchange rates. This increase is due to new bancassurance agreements in Italy and Spain and the strong new business sales achieved in UK pensions, offset by the fall in investment sales. New business margins were 25.1% for the total group in comparison to 23.9% for the year ended 31 December 2000.

General insurance net written premiums decreased by £163 million to £4,861 million in the first six months of 2001, which is principally due to the sale of general insurance businesses, including State Insurance and the Group's operations in South Africa and Germany in the second half of 2000.

The Group achieved operating profit increased by £298 million to £977 million in the first six months of 2001, an increase of 42% at constant exchange rates. The increase in achieved operating profit reflects improved performance of the life businesses and a significant performance improvement in the general insurance business result. The general insurance combined operating ratio (COR) for the Group was 103% at 30 June 2001 which is on track for the Group's target COR of 102% by the end of the year. COR represents the level of claims and expenses as a percentage of net earned premiums and hence the underlying underwriting profitability.

Shareholders' funds at 30 June 2001 of £13,261 million showed a reduction of £372 million reflecting the fall in worldwide investment markets.

The Group uses a combination of equity shareholders' funds, preference capital, external borrowings and its own funds to invest in its operations. The Group's capital has been allocated such that the capital employed by trading operations as at 31 December 2000 was some £7 billion greater than the capital provided by shareholders. As at 30 June 2001, the Group had external borrowings of £2.7 billion and the ratio of the Group's external debt to shareholders' funds was 20%. On 6 September 2001, Standard & Poor's affirmed its AA counterparty credit and insurer financial strength ratings on the core operating companies of the Group.

Recent Events in the United States of America

On 13 September, 2001, the Group announced that its initial estimate of total net liability to potential worldwide insurance claims relating to the tragic events in the United States of America on 11 September 2001, is not expected to exceed £35 million. This estimate includes accident and life policies, business interruption, travel and some participation in aviation insurance, and takes into account the extent and quality of the Group's reinsurance arrangements.

2 *ibid*, p.32.

Third quarter new business results

On 25 October 2001, the Group announced its new business results for the nine months to 30 September 2001, summarised as follows:

	Nine months ended 30 September	
	2001	2000
Total life and pension sales	£9,394m	£7,909m
Total investment sales	£1,034m	£1,921m
Total long-term savings	£10,428m	£9,830m
Total new business contribution	£399m	£349m
Total new business margin	24.6%	23.9%*
Total equity shareholders' funds	£12.3 bn**	£13.4 bn*

* - as at 31 December 2000

** - as at 19 October 2001

Total new business sales increased to £10.4 billion, with total worldwide life and pension sales increasing by 18%, at constant exchange rates, to £9.4 billion. Total worldwide investment sales of £1 billion (2000: £1.9 billion) reflect the current lack of consumer confidence in equity-backed products. The current level of volatility in investment markets is having an adverse effect on the sales of equity-backed investment products and this is likely to continue as long as these conditions prevail. Investors will continue to favour companies with balanced product offerings, financial strength, strong brand and multi-distribution capabilities. The Group is well-positioned having all of these attributes.

Total new business contribution increased to £399 million as a result of the increased sales in the UK and the bancassurance agreements in Spain and Italy. The overall margin increased to 24.6% (2000: 23.9%, at 2001 economic assumptions), although in the UK, the Group experienced margin pressure as a result of the higher proportion of lower margin stakeholder sales and the impact of an increasingly competitive bond market.

The volatility in the global equity markets impacts the Group in terms of the net asset value, the general insurance solvency ratio and the life free asset ratios. Taking into account the market levels and trading to 19 October 2001, the approximate value of equity shareholders' funds is £12.3 billion. At the same date, the estimated solvency cover, representing the regulatory value of excess net assets over the required minimum margin, for the combined UK general insurance regulated entities is 2.3 times. The cover for the combined Dutch non-life operations is 1.4 times. The solvency cover for Abeille Assurances, the principal French general insurance business, calculated using the historic cost value of assets, is estimated to be 3.0 times.

Assuming market conditions at 19 October 2001 prevail at the end of 2001, the estimated average free asset ratio which could be published in the FSA returns for the three large UK life companies at 31 December 2001 will be around 8%. The valuation basis assumed allows for implicit items, but includes an allowance for a further fall of 20% in the market value of equities and properties under the resilience test. The solvency cover of the principal French life business, Abeille vie, which would be reported at 31 December 2001, is estimated at 120%. This represents the local regulatory value of excess net assets, based on historic cost, expressed as a percentage of the local required minimum margin. As the locally reported cover is based on assets calculated on historic cost, it has not fluctuated significantly throughout the year. The solvency cover of the combined Delta Lloyd life operations, which would be reported at 31 December 2001, is estimated at 231%. This represents the local regulatory value of excess net assets expressed as a percentage of the local required minimum margin.

5. *Industry developments*

Pension mis-selling

The Group is continuing with a review of those past sales of personal pension policies which involved transfers, opt-outs and non-joiners from occupational schemes, as required by the Personal Investment Authority and the Financial Services Authority (FSA). The regulators have extended the initial scope of the review so that further sales are to be reviewed within a second phase which began in 1999. A provision of some £225 million (1999: £275 million) has been made to meet the outstanding costs of the extended review including potential levies payable to the Investors Compensation Scheme.

It continues to be the Group's view that there will be no material effect on either the Group's ability to meet the expectations of the policyholders, or on the shareholders.

Guaranteed annuity rate options

In common with other pension and life policy providers, the Group has written policies with a guaranteed annuity rate option (GAO). Such policies became more valuable to the policyholders as interest rates, and thus current annuity rates, fell. The ruling by the House of Lords in the Equitable case in the summer of 2000 has meant that insurers cannot make the level of terminal bonuses available dependent on whether or not a policyholder elects to take an annuity in a guaranteed form with the practical result that GAOs need to be fully reserved for. This differential bonus approach has not been adopted by the Group.

GAOs were fully reserved in the Group's financial statements and no adjustment has been made to the Group's reserving practice following the ruling.

Endowments

In December 1999, the FSA announced the findings of its review on mortgage endowments. A key conclusion was that, on average, holders of mortgage endowments have enjoyed returns which mean they have fared at least as well as they would have done with a repayment mortgage. Nevertheless following the FSA review, and as required by the FSA, all of the Group's mortgage endowment policyholders will receive policy-specific letters advising them of whether their investment is on track to cover their mortgage. This review process commenced in April 2000 in accordance with the FSA guidelines.

In January 2001, the Group announced the extension of "the 6% promise" to all its with profit mortgage endowment policyholders, which had been introduced by CGU in January 2000. The extension of this promise means that Norwich Union intends to top up final bonuses on all with profit mortgage endowments at maturity, where there is any shortfall between the claim value and the mortgage originally targeted – provided investment earnings average 6% a year after tax. Any compensation payments will be met from the investment earnings on free reserves.

Asbestos, pollution and health hazards

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

6. Management

Directors of the Issuer

The following is a list of directors of the Issuer and their principal directorships (if any) performed outside the Group which are or may be significant with respect to the Issuer, as at the date of this document.

Name	Responsibilities in relation to the Issuer	Other significant directorships
Pehr Gyllenhammar	Chairman and Non-executive Director	Lazards (Managing Director), Reuters Founders Share Company Limited (Chairman), Lagardère SCA (Non-executive Director), European Roundtable of Financial Services (Chairman)
Richard Harvey	Group Chief Executive	–
Mike Biggs	Group Finance Director	–
Philip Scott	Executive Director	–
Patrick Snowball	Executive Director	–
Philip Twyman	Executive Director	–
Tony Wyand	Executive Director	Société Générale (Non-executive Director), Unicredito Italiano (Non-executive Director), Grosvenor Estates Holdings (Non-executive Director)
George Paul	Deputy Chairman and Non-executive Director	Agricola Group Limited (Non-executive Chairman), Fleming Overseas Investment Trust plc (Non-executive Director), Notcutts Limited (Non-executive Director)
Guillermo de la Dehesa	Non-executive Director	Goldman Sachs Europe (Vice Chairman), Centre for Economic Policy Research (Chairman)
Wim Dik	Non-executive Director	Member of the Supervisory Board of ABN AMRO Bank and TNT Post Group
Sir Michael Partridge KCB	Non-executive Director	Methodist Ministers Pension Trust Limited (Non-executive Director), Epworth Management Limited (Non-executive Director), Stationery Office pension scheme trust (Chairman)
Derek Stevens	Non-executive Director	British Airways Pension Trustee (Chairman of Trustees)
Elizabeth Vallance	Non-executive Director	Charter European Trust plc (Non-executive Director), PPP Healthcare Medical Trust (Governor), University of London: Fellow Queen Mary & Westfield College
André Villeneuve	Non-executive Director	Instinet Corporation (Chairman), United Technologies Corporation (Non-executive Director)

The business address of each of the directors referred to above is at St Helen's, 1 Undershaft, London EC3P 3DQ.

7. United Kingdom Regulation

Insurance business

The principal subsidiaries of the Group are United Kingdom authorised insurance companies and are subject to the regulation and supervision of the FSA under the Insurance Companies Act 1982 ("ICA"). It is expected that, on 30 November 2001, almost all provisions of the ICA will be repealed by the Financial Services and Markets Act 2000 ("FSMA") and by rules and guidance made by the FSA under powers granted by the FSMA. The new prudential requirements for United Kingdom authorised insurance companies will restate those at present applied but adjusted to the new powers under the FSMA and change the disclosure and reporting requirements for insurance companies.

Authorisation to transact business

Subject to the exemptions provided in the ICA, no person may carry on insurance business in the United Kingdom unless authorised to do so under the ICA by the FSA. The FSA, in deciding whether to grant authorisation, is required to determine whether the applicant satisfies the requirements of the ICA to be engaged in insurance business and, in particular, whether the criteria of sound and prudent management will be fulfilled with respect to

the applicant. In connection with a company's authorisation, the FSA may impose conditions relating to the operation of the company and the writing of insurance business.

Regulatory reporting

Insurance companies have to prepare their accounts in accordance with special provisions applicable to them under the Companies Act 1985, and are required to file them and provide their shareholders with audited financial statements and related reports. Insurance companies are separately required under the ICA to file with the FSA an annual return comprising audited accounts and other prescribed documents within four months of the end of the financial year for 2001 and within three months of the end of the financial year for 2002.

Solvency margins and reserves

Under the ICA, companies authorised to carry on business in the United Kingdom are required to maintain a solvency margin, that is, the value of their assets must exceed the amount of their liabilities (each as determined in accordance with the Insurance Companies Regulations 1994 (the "**1994 Regulations**")) by a specified amount required by the 1994 Regulations. Failure to maintain the required margin of solvency is one of the grounds upon which the FSA may exercise its powers of intervention.

Future developments

The FSA has issued the Interim Prudential Sourcebook For Insurers Instrument 2001 which will come into effect on 1 December 2001 and will require UK-based insurance groups to report a solvency position for the whole group in accordance with the Insurance Groups Directive (Council Directive 98/78/EC). In addition, the Integrated Prudential Sourcebook, which may require further enhanced disclosure and regulatory requirements, is expected to be published in 2003 and come into force at a certain date thereafter.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the consolidated capitalisation and indebtedness of the Issuer as at 30 June 2001, as extracted without adjustment from the Issuer's unaudited interim accounts:

	30 June 2001
	£ m
Borrowings^{(1), (2), (3), (4)}	
8.625% – 10.75% Debenture loans	
Due within one year	112
Due after more than one year and less than five years	470
Due after five years	252
Amounts due to credit institutions⁽⁵⁾	
Due within one year	453
Due after five years	23
Commercial paper⁽⁶⁾	
Due within one year	1,375
Total borrowings ⁽⁷⁾	2,686
Shareholders' funds⁽¹⁾	
Share capital⁽⁸⁾	
Ordinary share capital	563
Preference share capital	200
Share premium account	1,071
Retained profits and reserves	11,427
Total shareholders' funds ⁽⁹⁾	13,261

Notes

- (1) The shareholders' funds and borrowings are based on unaudited consolidated figures as at 30 June 2001. Shareholders' funds are shown net of the proposed interim dividend of £321 million payable on 15 November 2001.
- (2) Foreign currency borrowings have been translated at closing rates on 30 June 2001.
- (3) Borrowings exclude intra group loans.
- (4) Of the total amount of debenture loans, £392 million is guaranteed by companies within the Group. There are no borrowings guaranteed by third parties. All borrowings are unsecured.
- (5) Of the total amount due to credit institutions, £240 million is guaranteed by companies within the Group. There are no borrowings guaranteed by third parties. All borrowings are unsecured.
- (6) The commercial paper is guaranteed by companies within the Group. There are no borrowings guaranteed by third parties. All borrowings are unsecured.
- (7) Of the total borrowings, £359 million are held in France, £160 million in DLNO and the remainder in the United Kingdom.
- (8) The authorised share capital of the Issuer is £950,000,000 divided in 3,000 million ordinary shares of 25p each, of which 2,253,098,604 had been issued at 30 June 2001 and are fully paid up, and 200,000,000 irredeemable preference shares of £1 each, all of which have been issued and are fully paid.
- (9) The volatility in the global equity markets impacts the Group in terms of net asset value. Taking into account the market levels and trading to 19 October 2001, the approximate value of equity shareholders' funds is £12.3 billion and the approximate value of total shareholders' funds is £12.5 billion at that date.

Except as disclosed above, the Issuer had, as at 30 June 2001, no borrowings, indebtedness or material contingent liabilities.

Except as disclosed above, there has been no material change in the consolidated capitalisation or indebtedness or contingent liabilities or guarantees of the Issuer since 30 June 2001.

UNITED KINGDOM TAXATION

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

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

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to the United Kingdom Inland Revenue regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

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

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

Noteholders should note that the provisions relating to additional amounts referred to in "Terms and Conditions of the Sterling Notes – 9 Taxation" and in "Terms and Conditions of the Euro Notes – 9 Taxation" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes ceased to be listed), Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Proposed EU Directive on the Taxation of Savings Income

3. The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that a Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Members States to opt instead for a withholding system for a transitional period in relation to such payments.

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

SUBSCRIPTION AND SALE

Barclays Bank PLC, Lehman Brothers International (Europe), Merrill Lynch International, Société Générale, ABN AMRO Bank N.V., HSBC Bank plc and the Royal Bank of Scotland plc (the “**Managers**”) have, pursuant to Subscription Agreements dated 12 November 2001 (each a “**Subscription Agreement**”), agreed with the Issuer to subscribe and pay for the Notes:

- (a) in respect of the Sterling Notes at 98.850 per cent. of the principal amount of the Sterling Notes plus accrued interest, less a selling commission of 0.375 per cent. of the principal amount of the Sterling Notes. The Issuer will also pay to the Managers a combined management and underwriting commission of 0.25 per cent. of the principal amount of the Sterling Notes; and
- (b) in respect of the Euro Notes, at 99.890 per cent. of the principal amount of the Euro Notes plus accrued interest less in each case a selling commission of 0.35 per cent. of the principal amount of the Euro Notes. The Issuer will pay to the Managers a combined management and underwriting commission of 0.20 per cent. of the principal amount of the Euro Notes.

The Issuer has also agreed to reimburse the Managers in connection with certain expenses of the issue. The Managers are entitled to terminate the Subscription Agreements in certain circumstances prior to payment to the Issuer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Manager has severally agreed that, except as permitted by the relevant Subscription Agreement, they will not offer, sell or deliver the Notes, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Each Manager has severally represented and agreed that:

- (i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986, as amended (the “**FS Act**”) except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FS Act;
- (ii) it has complied and will comply with all applicable provisions of the FS Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom;
- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FS Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom the document may otherwise lawfully be issued or passed on;
- (iv) in relation to those persons who are established, domiciled or have their residence in the Netherlands, it will, in order to comply with the Netherlands Supervision of the Securities Trade Act

1995 (“Wet Toezicht Effectenverkeer 1995”), only offer Notes with a nominal value of €100,000 and it will not allow any such person to purchase Notes with a nominal value of €10,000;

- (v) (a) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France, (b) it has not distributed and will not distribute or cause to be distributed in the Republic of France this Offering Circular or any other offering material relating to the Notes, except to (i) qualified investors (*investisseurs qualifiés*) or (ii) a restricted group of investors (*cercle restreint d’investisseurs*), all as defined in article L. 411-2 of the *Code monétaire et financier*, in *Décret* no. 98-880 dated 1st October, 1998 and in Regulation no. 98-09 of the *Commission des Opérations de Bourse*, and (c) offers and sales of Notes will be made in the Republic of France only to such qualified investors or restricted group of investors;
- (vi) it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of a public offer, unless in compliance with the Danish Consolidation Act No. 168 of 14 March 2001 on Trading in Securities as amended and Executive Orders issued thereunder;
- (vii) (a) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of Finland, (b) any offer or sale of the Notes in the Republic of Finland will be made only to a limited number of pre-selected investors and (c) it has not distributed and will not distribute the Offering Circular in Finland, other than to such limited number of pre-selected investors to whom an offer and sale of the Notes may be made under the laws of the Republic of Finland;
- (viii) (a) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes in the Republic of Italy, other than to (i) authorised intermediaries, asset management companies, SICAVs, pension funds, insurance companies, and other persons set forth in Legislative Decree No. 58 of 25 February 1998 (the “Decree”), Article 30.2 and in CONSOB Regulation No. 11522 of 1 July 1998, as amended (“Professional Investors”) or (ii) under any exemption pursuant to Article 100 of the Decree to the extent applicable, (b) offers and sales of Notes will be made in the Republic of Italy in compliance with the forms and the procedures set forth in the laws and regulations indicated above and in accordance with any other applicable Italian laws and regulations, including, where applicable, the requirement for notice to the Bank of Italy under Legislative Decree No. 385 of 1 September 1993, as amended and (c) it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of Italy, the Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of Italy may be made as described above; and
- (ix) it will offer and sell Notes in the Federal Republic of Germany only (i) to persons who on a professional or commercial basis purchase or sell securities for their own account or for the account of a third party; or (ii) to investors for an aggregate minimum purchase price of DEM 80,000 (or the equivalent in other currencies) or in denominations of €100,000 or £100,000 respectively.

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

GENERAL INFORMATION

1. The Issuer is incorporated in England with registered number 2468686.
2. The listing of each Tranche of the Notes on the Official List will be expressed as a percentage of their principal amount. It is expected that listing of the Notes on the Official List and admission to trading by the London Stock Exchange will be granted on or around 14 November 2001 subject only to the issue of the Temporary Global Note in respect of the relevant Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in sterling or (in the case of the Euro Notes) in euro and for delivery on the third working day after the date of the transaction.
3. Save as disclosed herein, there has been no significant change in the financial or trading position of the Group since 30 June 2001 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2000.
4. The Group is not and has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the previous twelve months, a significant effect upon the financial position of the Group.
5. The annual accounts of the Issuer for the last three financial years have been audited. The consolidated accounts for the Issuer for the year ended 31 December 2000 were audited jointly by Ernst & Young and PricewaterhouseCoopers, Chartered Accountants, in each case in accordance with auditing standards and have been reported on without qualification. The consolidated accounts of the Issuer (then known as CGU plc) for the year ended 31 December 1999 were audited by PricewaterhouseCoopers, Chartered Accountants, in accordance with auditing standards and reported on without qualification. The consolidated accounts of the Issuer (then known as CGU plc) for the year ended 31 December 1998 were audited jointly by PricewaterhouseCoopers, Chartered Accountants and KPMG Audit plc, Chartered Accountants, in each case in accordance with auditing standards reported on and without qualification. The address of Ernst & Young LLP is Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH. The address of PricewaterhouseCoopers is Southwark Towers, 32 London Bridge Street, London SE1 9SY. The address of KPMG Audit plc is 24 Blythswood Square, Glasgow G2 4QS.
6. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 19 September 2001 and by a resolution of a committee of the Board of Directors of the Issuer passed on 18 October 2001.
7. The Trust Deed will provide that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) in accordance with the provisions of the Trust Deed whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit on the liability of the Auditors.
8. The Notes, which are either Sterling Bonds or Euro Bonds, have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISINs and Common Codes for the Notes are as follows:

	ISIN	Common Code
Sterling Notes	XS0138717441	013871744
Euro Notes	XS0138717953	013871795

9. Copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB, during usual business hours, on any weekday (Saturdays, Sundays and public holidays excepted) for 14 days from the date of this Offering Circular:
 - (i) the Memorandum and Articles of Association of the Issuer;
 - (ii) the Annual Report and Accounts of the Issuer (consolidated Group accounts) for the years ended 31 December 2000 and 31 December 1999;
 - (iii) the interim financial accounts of the Issuer for the six months ended 30 June 2001;
 - (iv) the Subscription Agreements;
 - (v) drafts (subject to modification) of the Trust Deed and the Paying Agency Agreement relating to each Tranche.

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