

## IMPORTANT NOTICE

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## PROSPECTUS

€212,478,000 Limited Recourse Secured Notes

issued by

### AQUARIUS + INVESTMENTS PLC

*(incorporated with limited liability in Ireland)*

secured by

### Fixed-to-Floating Dated Subordinated Notes of

### ZURICH INSURANCE COMPANY LTD

**Issue Price: 99.119 per cent.**

**(including 144 days accrued interest from, and**

**including 4 March 2013 to, but excluding the Issue Date)**

This document (this “**Prospectus**”) has been prepared, amongst other things, for the purpose of giving information with regard to Aquarius + Investments Plc (the “**Issuer**”) and the €212,478,000 Limited Recourse Secured Notes (the “**Notes**”) issued by the Issuer pursuant to its U.S.\$10,000,000,000 Limited Recourse Secured Debt Issuance Programme (the “**Programme**”) and secured on the Fixed-to-Floating Dated Subordinated Notes (the “**Loan Notes**”), of Zurich Insurance Company Ltd (the “**Loan Notes Issuer**”). The Notes are to be consolidated and form a single series with the €787,522,000 Limited Recourse Secured Notes of the Issuer due 2043 issued on 4 March 2013 (the “**Original Notes**”) on 26 July 2013 (the “**Issue Date**”).

**Claims of the Noteholders will be limited in recourse to the Mortgaged Property (as defined in Annex 1 to the Additional Terms and Conditions) (excluding the Mortgaged Property subject to the Managers’ Security), consisting of, *inter alia*, the Charged Assets (as defined herein) and the Issuer’s rights to acquire the €212,478,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer due 2043 (the “Further Loan Notes”) under the Loan Notes Purchase Agreement (as defined herein). In particular, the Notes will not be guaranteed by, or otherwise be the responsibility of, the Loan Notes Issuer or any of its affiliates. For the avoidance of doubt, the Notes and the Original Notes form part of the same Series and such Series has the benefit of security, on a *pari passu* basis over the aggregate of the Original Loan Notes (as defined below) and the Further Loan Notes.**

See “Additional Risk Factors” on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

This Prospectus constitutes Listing Particulars for the purposes of the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. Application has been made to the Irish Stock Exchange for the approval of this Prospectus as Listing Particulars and this Prospectus has been approved by the Irish Stock Exchange as Listing Particulars. This Prospectus does not constitute a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”). The approval by the Irish Stock Exchange relates only to the Notes, which are to be admitted to trading on the Global Exchange Market. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC (the “**Directive on Markets in Financial Instruments**”).

It is expected that the Notes will be rated A2 by Moody’s Investors Service Limited (“**Moody’s**”) and A by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc (“**S&P**”). The credit ratings included or referred to in this Prospectus have been issued by Moody’s and S&P. Moody’s is established in the European Union and registered under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”) on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by a permanent Global Note in bearer form (a “**Permanent Global Note**”) without interest coupons, which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on the Issue Date. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances-see the section of this Prospectus headed “Form of the Notes” on page 55.

#### Joint Lead Managers

**BNP PARIBAS**

**BARCLAYS**

The date of this Prospectus is 24 July 2013

This Prospectus has been prepared by the Issuer solely in connection with the offering of the Notes as described herein. Save as provided in the following paragraph in respect of the information in the Appendices, the Issuer accepts responsibility for the information contained in this Prospectus accordingly and the documents incorporated by reference as described in the section of this Prospectus headed “Documents Incorporated by Reference – Documents relating to the Issuer and the Programme” below. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in that part of this Prospectus for which it is responsible and the documents incorporated by reference for which it is responsible as described in the section of this Prospectus headed “Documents Incorporated by Reference – Documents relating to the Issuer and the Programme” below are, to the best of its knowledge, in accordance with the facts and contain no omission likely to affect its import.

The information set out in the Appendices comprises information reproduced from the final terms of the Further Loan Notes (the “**Further Loan Notes Final Terms**”) dated 24 July 2013, the base prospectus dated 17 May 2013 relating to the U.S.\$18,000,000,000 Euro Medium Term Note Programme of Zurich Insurance Company Ltd (the “**Loan Notes Base Prospectus**”), the supplement dated 15 July 2013 to the Loan Notes Base Prospectus (the “**Loan Notes Base Prospectus Supplement**”) and the terms and conditions of the Further Loan Notes as set out in the base prospectus dated 15 May 2012 relating to the U.S.\$18,000,000,000 Euro Medium Term Note Programme of Zurich Insurance Company Ltd and incorporated by reference into the Loan Notes Base Prospectus (the “**Loan Notes Conditions**”, and together with the Further Loan Notes Final Terms, the Loan Notes Base Prospectus and the Loan Notes Base Prospectus Supplement, the “**Loan Notes Documents**”). The information set out in the Appendices has been accurately reproduced from information published by the Loan Notes Issuer. So far as the Issuer is aware and is able to ascertain from information so published, no facts have been omitted from the Loan Notes Documents which would render the reproduced or incorporated information inaccurate or misleading. To the best of the knowledge and belief of the Issuer (which has taken reasonable care to ensure that such is the case), the Loan Notes Documents contain any and all information concerning the Loan Notes Issuer as the Issuer deems significant for the purposes of the Notes. Other than as provided for above, the Issuer shall have no responsibility for the information contained in the Loan Notes Documents. Terms used but not otherwise defined in this Prospectus shall have the meanings given to them in the Loan Notes Documents.

None of the Trustee, the Managers’ Trustee, the Enforcement Agent or any of the Joint Lead Managers named on the cover page of this Prospectus (the “**Managers**”) has separately verified all of the information contained in this Prospectus or the documents incorporated by reference as described in the section of this Prospectus headed “*Documents Incorporated by Reference - Documents relating to the Issuer and the Programme*” below. Accordingly, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability is or will be accepted by the Trustee, the Managers’ Trustee, the Enforcement Agent or any Manager as to the accuracy or completeness of the information contained in this Prospectus or the documents incorporated by reference as described in the section of this Prospectus headed “*Documents Incorporated by Reference – Documents relating to the Issuer and the Programme*” below. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer in relation to the Notes.

No person is, has been or will be authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee, the Managers’ Trustee, the Enforcement Agent or any Manager.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, the Trustee, the Managers’ Trustee, the Enforcement Agent or any Manager, that any recipient of this Prospectus or other information supplied in connection with the Notes

should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Loan Notes Issuer (see the sections of this Prospectus headed “*Risk Factors*” and “*Additional Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes).

The delivery of this Prospectus or any other information supplied in connection with the Notes or the offering, sale or delivery of any Notes will not at any time or in any circumstances imply that the information contained herein or therein concerning the Issuer or the Loan Notes Issuer is correct at any time subsequent to the date hereof or thereof (as the case may be) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Trustee, the Managers’ Trustee, the Enforcement Agent and the Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Loan Notes Issuer.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee, the Managers’ Trustee, the Enforcement Agent and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisements or other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. See the section of this Prospectus headed “*Subscription and Sale*”.

Neither this Series Prospectus nor any other offering and marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, including, the Swiss Financial Market Supervisory Authority FINMA (“**FINMA**”), and investors in the Notes will not benefit from protection or supervision by such authority.

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

Unless otherwise specified or the context requires, references to “**euro**” and “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

## IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”)) THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S NOTES**”). THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE INVESTMENT COMPANY ACT. INTERESTS IN THE NOTES WILL BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER. SEE THE SECTION OF THIS PROSPECTUS ENTITLED “*SUBSCRIPTION AND SALE*”. EACH PURCHASER OF THE NOTES IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET OUT UNDER THE SECTION OF THIS PROSPECTUS ENTITLED “*SUBSCRIPTION AND SALE*”.

If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the market value of the Notes and the income from them can go down as well as up.

### General Notice

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER, NOR THE MANAGERS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM AND PURSUANT TO AND IN ACCORDANCE WITH THE RESTRICTIONS INDICATED ON THE NOTES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

An investment in the Notes is subject to significant and complex risks which may result in the value of the Notes being highly volatile and in unexpected losses of unforeseen magnitude. No person should acquire any Notes unless that person fully understands the nature of the relevant transaction, the nature of the risks and the extent of that person’s exposure to potential loss and has a valid business purpose for acquiring such Notes and any investment in such Notes is consistent with such person’s overall investment strategy. Each prospective purchaser of the Notes should consider carefully whether the Notes it considers acquiring are suitable for it in the light of such prospective purchaser’s investment objectives, financial capabilities and expertise. Prospective purchasers of the Notes should consult their own business, financial, investment, legal, accounting, regulatory, tax and other professional advisers to assist them in determining the suitability of the Notes for them as an investment. See “*Risk Factors*” and “*Additional Risk Factors*” in this Prospectus.

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## OVERVIEW

*The following is a brief overview of the Notes and must be read as an introduction to this Prospectus. Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documentation incorporated herein by reference, and the risks described herein and therein.*

### PARTIES

<b>Issuer</b>	The Issuer of the Notes is Aquarius + Investments PLC, a public limited company incorporated with limited liability in Ireland. The Issuer is established as a special purpose vehicle, the principal activities of which are the acquisition of financial assets, the issuance of financial instruments and related transactions.
<b>Managers</b>	BNP Paribas and Barclays Bank PLC
<b>Manager's Trustee, Trustee and Enforcement Agent</b>	BNP Paribas Trust Corporation UK Limited
<b>Principal Paying Agent, Custodian and Account Bank</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Redemption Agent, Calculation Agent and Determination Agent</b>	BNP Paribas, London Branch.

### NOTES

<b>Title</b>	€212,478,000 Limited Recourse Secured Notes of the Issuer to be consolidated and form a single series with the €787,522,000 Limited Recourse Secured Notes of the Issuer due 2043 issued on 4 March 2013 and secured over the Fixed-to-Floating Dated Subordinated Notes of Zurich Insurance Company Ltd (the " <b>Loan Notes Issuer</b> ").
<b>Specified Denominations</b>	€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (or equivalent).
<b>Issue Price</b>	99.119% plus 144 days accrued interest from, and including, 4 March 2013 to, but excluding, the Issue Date.
<b>Loan Notes</b>	€212,478,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer (the " <b>Further Loan Notes</b> ") to be consolidated and form a single series with €787,522,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer due 2043 issued on 4 March 2013 (the " <b>Original Loan Notes</b> ", together with the Further Loan Notes, the " <b>Loan Notes</b> ").  The Further Loan Notes are issued by the Loan Notes Issuer pursuant to the final terms of the Further Loan Notes dated 24 July 2013 (the " <b>Loan Notes Final Terms</b> ").
<b>Charged Assets</b>	The Charged Assets in respect of the Notes and the Original Notes together are the Loan Notes and any proceeds derived

therefrom.

**Redemption**

Subject to early redemption, the Notes shall be redeemed by the Issuer on the Maturity Date.

**Interest**

On each date that the Issuer receives an amount in respect of interest on the Loan Notes, it shall apply such amounts in payment of the Note Interest Amounts on the Notes, provided that if such day is not a Payment Day in respect of the Notes such amounts shall be so applied on the following Payment Day.

**Noteholders' Security**

As security for its obligations in respect of the Notes, the Issuer will grant security over, amongst other things, the Charged Assets, its account with the Custodian in respect of the Notes, its rights under the Custodial Services Agreement and the Agency Agreement and its rights under the Loan Notes Purchase Agreement except to the extent subject to the Managers' Security (as defined in Annex 1 to the Additional Terms and Conditions). The Loan Notes (which constitute part of the Charged Assets) will be held for the account of the Issuer subject to the security created under the Trust Deed.

**Managers' Security**

As security in respect of any claim a Manager may have against the Issuer under the Subscription Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Loan Notes, the Loan Notes Issuer and the Loan Notes Documents prepared by the Loan Notes Issuer in respect of the Loan Notes, the Issuer will grant security over its rights in the Loan Notes Purchase Agreement (as defined in paragraph 41 of the Additional Terms and Conditions) other than its right to acquire the Loan Notes arising thereunder.

No Noteholder shall have any interest in the Mortgaged Property subject to the Managers' Security, which shall not form part of the Mortgaged Property subject to the Noteholders' Security. If the Managers' Security becomes enforceable, the security for the Notes shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.

**Mortgaged Property**

The assets over which security is created by the Issuer in relation to the Notes, including the Charged Assets and the contractual rights over which the Managers' Security is created.

**Priority of payments and limited recourse**

Payments on the Notes following any enforcement of the security therefor will be made in accordance with a specified priority of payments. Payments to holders of the Notes will be subordinated to the claims of certain other creditors, including the Trustee, the Managers' Trustee and the Agents. Payments on the Notes are subject to limited recourse provisions.



<b>Tax</b>	The Issuer will not be required to make any additional payment to investors if it is required to withhold or deduct any amount on account of tax from any payments on the Notes.
<b>Restrictions</b>	So long as any of the Notes remain outstanding, the Issuer will not, without the written consent of the Trustee, have any subsidiaries, dispose of any of its property or other assets or any part thereof or interest therein other than in accordance with the Terms and Conditions, create or permit within its control to subsist any charge, mortgage, lien or other encumbrance over the Mortgaged Property other than as contemplated by the Terms and Conditions, have any employees, declare any dividends or make any distributions of any other kind, issue any further shares or perform such other activities as expressly restricted in the Master Trust Deed or engage in any other activity except as contemplated by the Terms and Conditions.
<b>Listing, approval and admission to trading</b>	Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.
<b>Form of Notes</b>	<p>The Notes will be issued in bearer form. Notes will be represented by interests in a global note which will be subject to clearing through Euroclear and Clearstream, Luxembourg.</p> <p>The contact details of Euroclear are Euroclear Bank, 1 Boulevard du Roi Albert II, B - 1210 Brussels, Tel: +32 (0)2 326 1211, Fax: +32 (0)2 326 1287.</p> <p>The contact details of Clearstream, Luxembourg are Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.</p>
<b>Governing law</b>	<p>The Notes and any related documentation will be governed by English law.</p> <p>The Loan Notes will be governed by English law, save for the subordination provisions which will be governed by Swiss law.</p>
<b>Offering</b>	The Notes may be offered and sold in accordance with Regulation S, to non-U.S. persons (as defined in Regulation S) in offshore transactions. Sales and transfers of the Notes will be subject to further restrictions.
<b>Selling Restrictions</b>	United States and such other restrictions as may be required in connection with the offering and sale of the Notes.
<b>Rating</b>	The Notes are expected to be rated A2 by Moody's and A by

## Risk Factors

S&P on issue.

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Certain of these are set out under the sections entitled "*Risk Factors*" and "*Additional Risk Factors*" on pages 16 and 24 and include the following risk factors related to the Issuer:

- (a) the Issuer is a special purpose vehicle: the Issuer is not an operating company. The Issuer has, and will have, no assets other than certain assets relating to the Programme;
- (b) the Issuer is not but may become regulated by a regulatory authority: the Issuer is not, nor is required to be, licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and the Issuer operates and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes;
- (c) examinership: if an examiner is appointed to the Issuer, the Trustee would be precluded from enforcing the security over any Mortgaged Property (as defined in Condition 3(a) (*Security*)) during the period of the examinership; and
- (d) preferred creditors: preferred creditors under Irish law and Fixed Security: under Irish law, upon an insolvency of an Irish company such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company which have been approved by the Irish courts.

In addition, there are certain factors which are material for the purpose of assessing the risks related to the Notes, including the following:

- (i) the Notes are limited recourse: all payments to be made by the Issuer in respect of the Notes will be made only from and to the extent of the sums received or recovered by or on behalf of the Issuer or the Trustee in respect of the

relevant Mortgaged Property in respect of the Notes (for the avoidance of doubt, excluding the Mortgaged Property subject to the Managers' Security) and the Notes will not be guaranteed by, or otherwise be the responsibility of, the Loan Notes Issuer or any of its affiliates;

- (ii) ranking of claims: the claims of Noteholders rank junior to those of certain other transaction parties including the claims of the Trustee for its fees and expenses;
- (iii) secondary markets: no assurance of market liquidity is given and, in the unlikely event that a secondary market in the Notes does develop, there can be no assurance that it will continue;
- (iv) taxation: each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority that may be applicable to any payment to it in respect of the Notes;
- (v) credit risk: a prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Issuer and the Loan Notes;
- (vi) risks in respect of the Charged Assets: the Issuer's ability to pay or deliver amounts in respect of the Notes will be limited to it having received such amounts from the Loan Notes and a prospective purchaser of the Notes should have regard to the risks and investment considerations set out in the section of the Loan Notes Base Prospectus headed "*Risk Factors*", on pages 6 to 18 (inclusive) thereof;
- (vii) limitations on enforcement against the Loan Notes Issuer: in no circumstances shall the Trustee or, as the case may be, the Managers' Trustee be permitted when acting in its capacity as trustee for the Noteholders or the Managers, nor shall the Noteholders or the Managers, (when acting in their respective capacities) be permitted, to take any action against the Loan Notes Issuer or enforce any claim that the Issuer may have against the Loan Notes Issuer under the Loan Notes or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable, such action only to be taken by the Redemption Agent or the Enforcement Agent, as applicable;
- (viii) restrictions on transfer of the Loan Notes: The Issuer shall be subject to certain transfer restrictions applicable to the Loan Notes in relation to any disposal of the Loan Notes.

Neither the Redemption Agent nor the Enforcement Agent acting on behalf of the Issuer shall, and shall not be required to, dispose of the Loan Notes where such disposal would violate any such transfer restrictions. These transfer restrictions may limit the ability of the Issuer to dispose of the Loan Notes. In addition, the Loan Notes are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Loan Notes and the Loan Notes will be illiquid. The illiquidity of the Loan Notes may have a severely adverse effect on the market value of the Loan Notes;

- (ix) provision of information: any of the Issuer, the Trustee, the Managers or any affiliate may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Loan Notes Issuer. None of such persons is under any obligation to make such information directly available to Noteholders. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders' behalf, the business, financial conditions, prospects, creditworthiness or status of affairs of the Loan Notes Issuer or conduct any investigation or due diligence into the Loan Notes Issuer;
- (x) business relationships: the Issuer, the Managers or any affiliate may have existing or future business relationships with the Loan Notes Issuer, and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Noteholder;
- (xi) legality of purchase: none of the Issuer, the Trustee, the Managers nor any affiliate has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes. However, notwithstanding the lawfulness of any acquisition of the Notes, where a Note is held by or on behalf of a U.S. person (as defined in Regulation S) who is not an eligible investor for U.S. securities law purposes at the time it purchases such Note, the Issuer may, in its discretion, redeem the Notes of any such holder who holds any Note in violation of the application transfer restrictions or compel any such holder to transfer the Notes to an eligible investor, in each case, at the expense and risk of such holder;
- (xii) enforcement of legal liabilities: it may not be possible to

enforce, in original actions in Irish courts or Luxembourg courts, liabilities predicated solely on the U.S. federal securities laws. None of the shareholders or directors of the Issuer has any direct obligation to any Noteholders, for payment of any amount by the Issuer in respect of the Notes;

- (xiii) listing: if at any time the maintenance of any listing is agreed by each Manager to have become unduly onerous in relation to the Issuer, the Issuer may obtain and maintain a listing of such Notes on such other major stock exchange (which may or may not be a Regulated Market) as it may (with the consent of the Managers) decide;
- (xiv) ratings: the Notes and the Loan Notes are rated securities. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies do not evaluate the risks of market value fluctuations and therefore may not fully reflect the true risks of the Notes. Rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Rating agencies may change their rating methodology, which could adversely affect the rating of the Notes;
- (xv) maturity date: if on the Scheduled Maturity Date of the Notes a "Solvency Event" (as defined in the Loan Notes Conditions) has occurred and is continuing, then the Maturity Date of the Notes will be extended and the Noteholders will have no right to repayment until such event no longer exists or prior approval by FINMA or any Successor Authority (as defined in the Loan Notes Conditions) is given for such repayment; and
- (xvi) subordination: the obligations of the Loan Notes Issuer under the Loan Notes are subordinated and will rank junior in priority of payment to the claims of senior creditors. Interest on the Loan Notes may be deferred when such interest has accrued in respect of an interest period which ends on an Optional Interest Payment Date (as defined in the Loan Notes Conditions) and if a Solvency Event (as defined in the Loan Notes Conditions) has occurred and is continuing. Certain Arrears of Interest (as defined in the Loan Notes Conditions) may only be payable on Loan Notes following the prior written approval of FINMA or any Successor Authority. The above events would have an impact on the amount and timing of any payout under the Notes. There is also a real risk that the Noteholders may lose all or some of their

investment should the Loan Notes Issuer become insolvent.

## NOTICE TO INVESTORS FROM THE ARRANGER

BNP Paribas, in its capacity as Arranger, has assisted the Issuer in establishing the Programme. Neither the Arranger, nor any of its affiliates is under any legal or regulatory obligation to purchase any Notes or support any losses suffered by the Issuer or the purchasers of any Notes or to repurchase or make a market in any Notes. Neither the Arranger, nor its affiliates guarantees or stands behind the Issuer, the obligations of the Issuer under the Notes, and will not make good and is under no obligation to make good any losses under any Notes. The Issuer, the investors and each person into whose possession this document comes will be deemed to have acknowledged and agreed to the foregoing.

**Investors' attention is specifically directed to the section hereof entitled "Additional Risk Factors" and investors should be fully aware that they may be required to hold Notes until maturity since no assurances can be given that a liquid market (or any market at all) will exist in respect of the Notes.**

## RISK FACTORS

*The purchase of Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all the information set forth in this Prospectus and, in particular, the considerations set forth below and under “Additional Risk Factors” below.*

### 1 General

This Prospectus identifies in general terms the information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor’s particular financial and other circumstances, as well as on specific terms of the Notes and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult with its financial adviser prior to deciding to make an investment on the suitability of the Notes. This Prospectus is not, and does not purport to be, investment advice.

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary’s) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### 2 Risk Factors related to the Issuer

#### 2.1 The Issuer is a special purpose vehicle

The Issuer is not an operating company. The Issuer’s sole business is the raising and borrowing of money by issuing Notes or other obligations for the purposes of purchasing assets and entering into related derivatives and other contracts in connection with the issue of Notes or such other obligations. The Issuer grants security over its assets in connection with the raising and borrowing of money and entry into such derivatives and other contracts. The Issuer has covenanted not to have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no assets other than such fees (as agreed) payable to it in connection with the issue of Notes or entry into other obligations from time to time and any Charged Assets and any other assets on which Notes or other obligations are secured.



## **2.2 Regulation of the Issuers by any regulatory authority**

The Issuer is not, and is not required to be, licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and the Issuer operates and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

## **2.3 Examinership**

Examinership is a court procedure available under the Irish Companies (Amendment) Act, 1990, as amended (the “**1990 Act**”) to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets, the subject of a fixed charge. However, if such power is exercised the examiner must account to the holders of the fixed charge for the amount realised and discharge the amount due to the holders of the fixed charge out of the proceeds of the sale.

During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Conditions), the Trustee would be in a position to reject any proposal not in favour of the Noteholders. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down to the value of amounts due by the Issuer to the Noteholders. The primary risks to the holders of Notes if an examiner were appointed to the Issuer are as follows:

- 2.3.1 the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by the Issuer to the Noteholders as secured by the Trust Deed;
- 2.3.2 the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

2.3.3 in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the secured creditors under the Notes or the transaction documents.

## 2.4 Preferred Creditors under Irish law and Fixed Security

Under Irish law, upon an insolvency of an Irish company such as any Irish Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts. (See 2.3 (*Examinership*) above.)

The holder of a fixed security over the book debts of an Irish tax resident company (which would include any Irish Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those which the holder received in payment of debts due to it by the company.

Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

It is of the essence of a fixed charge that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to an Irish Issuer, any charge constituted by a trust deed may operate as a floating, rather than a fixed, charge. In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the moneys standing to the credit of such account without the consent of the chargee. Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security over an Irish Issuer's accounts and other assets comprising the collateral for the Notes would be regarded by the Irish courts as a floating charge. Floating charges have certain weaknesses, including the following:

- (a) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (b) as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- (c) they rank after certain insolvency remuneration expenses and liabilities;
- (d) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (e) they rank after fixed charges.

### 3 Risk Factors related to the Notes

#### 3.1 Limited recourse

- 3.1.1 All payments to be made by the Issuer in respect of the Notes of each Series will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee in respect of the Charged Assets and the other Mortgaged Property (as defined in Condition 3(a)) in respect of such Series.
- 3.1.2 To the extent that such sums are less than the amount which the holders of the Notes may have expected to receive if paragraph 3.1.1 above did not apply (the difference being referred to herein as a “**shortfall**”), such shortfall will be borne by such holders in accordance with the Terms and Conditions of the Notes.
- 3.1.3 Each holder of Notes, by subscribing for or purchasing such Notes will be deemed to accept and acknowledge that it is fully aware that:
  - (a) the holders of the Notes shall look solely to the sums referred to in paragraph 3.1.1, as applied in accordance with paragraph 3.1.2 above, (the “**Relevant Sums**”) for payments to be made by the Issuer in respect of the Notes;
  - (b) the obligations of the Issuer to make payments in respect of the Notes will be limited to the Relevant Sums and the holders of the Notes shall have no further recourse to the Issuer in respect of the Notes;
  - (c) without prejudice to the foregoing, any right of the holders of the Notes to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and
  - (d) the holders of the Notes shall not be able to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer or the appointment of an examiner in respect of the Issuer, as a consequence of any such shortfall.

None of the Trustee, the shareholders or directors of any Issuer has any direct obligation to any Noteholder, Receiptholder or Couponholder in relation to any failure by the Issuer to make payment of any amount due in respect of the Notes.

For the avoidance of doubt, Notes are not, and do not represent or convey any interest in, a direct or indirect obligation of the obligors of the Charged Assets, nor do they confer on the Noteholder any

right (whether in respect of voting, dividend or other distributions in respect of the Charged Assets) which the holder of any of the Charged Assets may have. The Issuer is not an agent of the Noteholder for any purpose.

### **3.2 Secondary markets**

No assurance of market liquidity is given in respect of any Notes and, in the unlikely event that a secondary market in the Notes does develop, there can be no assurance that it will continue. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

### **3.3 Irish taxation position of the Issuer**

The Issuer has been advised that it should fall within the Irish regime for the taxation of qualifying companies as set out in Section 110 of the Taxes Consolidation Act 1997 (“**Section 110**”), and as such should be taxed only on the amount of its retained profit after deducting all amounts of interest and other revenue expenses due to be paid by the Issuer. If, for any reason, the Issuer is not or ceases to be entitled to the benefits of Section 110, then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the tax treatment of the Issuer and consequently the payments on the Notes.

### **3.4 Loss of investment**

Purchasers of Notes may lose the value of their entire investment.

### **3.5 Credit risk**

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Issuer.

### **3.6 Provision of information**

Neither the Issuer, the Trustee, the Arranger, the Dealers nor any affiliate makes any representation as to the credit quality of any obligor of a Charged Asset. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to any obligor of a Charged Asset. None of such persons is under any obligation to make such information directly available to Noteholders. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders’ behalf, the business, financial conditions, prospects, creditworthiness or status of affairs of the obligors of the Charged Assets or conduct any investigation or due diligence into the obligor of the Charged Assets.

### **3.7 Business relationships**

The Issuer, the Arranger, the Dealers or any affiliate may have existing or future business relationships with the obligor of a Charged Asset (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Noteholder. In addition, the Issuer, the Arranger, the Dealers or any affiliate may make a market or hold positions in respect of any of the Charged Assets relating to any particular transaction.

### **3.8 Payments to third parties by Dealers**

In the context of an issuance of Notes, a Dealer may make payments of introduction, finding or structuring fees to third parties who may or may not be connected with the investor to whom the relevant Dealer initially sells the Notes.

### **3.9 Legality of purchase**

None of the Issuer, the Trustee, the Arranger, the Dealers nor any affiliate has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it. However, notwithstanding the lawfulness of any acquisition of the Notes, where a Note is held by or on behalf of a U.S. person (as defined in Regulation S) who is not an Eligible Investor at the time it purchases such Note, the Issuer may, in its discretion, redeem the Notes of any such holder who holds any Note in violation of the application transfer restrictions or compel any such holder to transfer the Notes to an Eligible Investor, in each case, at the expense and risk of such holder.

### **3.10 Denomination**

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent in any other currency) that are not integral multiples of €50,000 or €100,000 (or its equivalent in any other currency). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

### **3.11 Proposals to reform LIBOR and other benchmark indices**

The London Inter-Bank Offered Rate (“LIBOR”) is currently being reformed, including (i) the replacement of the administrator, (ii) a reduction in the number of currencies and tenors for which LIBOR is calculated, and (iii) changes in the way that LIBOR is calculated, by compelling more banks to provide LIBOR submissions and basing these submissions on actual transactions data. Investors should be aware that:

- any of these changes or any other changes to LIBOR could affect the level of the published rate, including to cause it to be lower and/or more volatile than what it would otherwise be;
- if the applicable rate of interest is calculated with reference to a currency or tenor which is discontinued, such rate of interest may then be determined by the Calculation Agent in its discretion; and
- the administrator of LIBOR will not have any involvement in the Securities and may take any actions in respect of LIBOR without regard to the effect of such actions on the Securities.

Any of the above could have a material adverse effect on the value of, and the amount payable or deliverable under, any Securities which are linked to a LIBOR rate.

Investors should also note that the Euro Interbank Offered Rate (“EURIBOR”) and other so-called “benchmarks” have also been the subject of increased scrutiny and proposals for reform by a number

of international authorities and other bodies. Whether any of these proposals will be implemented is currently unclear. However, as with changes to LIBOR, any significant changes to EURIBOR or other benchmark could have a material adverse effect on the value of, and the amount payable under, any Securities which are linked to a EURIBOR rate or other benchmark (as applicable).

### **3.12 Euro Redenomination and Eurozone Risk**

Market perceptions concerning the instability of the Euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the Euro entirely, could adversely affect the value of Notes. Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual member states. These and other concerns could lead to the re-introduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

## **4 Risk Factors related to the Counterparties**

### **4.1 Reliance on creditworthiness of other parties**

The Charged Assets will be held in an account of, and in the name of, the Custodian. The Custodian may be responsible under the Agency Agreement for receiving payments on the Charged Assets and remitting them to the relevant other Creditors or the Principal Paying Agent, any Paying Agent or the Redemption Agent, as the case may be.

### **4.2 Capacity of BNP Paribas and its affiliates**

BNP Paribas and its affiliates may act in a number of capacities in connection with any issue of Notes, including as Trustee, Principal Paying Agent, Registrar, Paying Agent, Transfer Agent, Custodian, Agent Bank, Calculation Agent, Redemption Agent, Determination Agent and/or Dealer. BNP Paribas and its affiliates acting in such capacities in connection with such transactions shall have only the duties and responsibilities expressly agreed to by such entities in the relevant capacity and shall not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. BNP Paribas and its affiliates in its various capacities in connection with the contemplated transactions may enter into business dealings, from which they may derive revenues and profits in addition to any fees, without any duty to account therefor.

In addition, from time to time, any of BNP Paribas and its affiliates may own significant amounts of the Notes.

## **5 New Requirements Imposed on Rating Agencies Could Result in Withdrawal of Ratings if Certain Actions are Not Taken by the Arranger**

On 2 June 2010, certain amendments to Rule 17g-5 under the Exchange Act promulgated by the SEC became effective. Amended Rule 17g-5 requires each rating agency providing a rating of a structured finance product such as this transaction paid for by the “**arranger**” (defined as the issuer, the underwriter or the sponsor) to obtain an undertaking from the arranger to (i) create a password protected website, (ii) post on that website all

information provided to the rating agency in connection with the initial rating of the Notes and all information provided to the rating agency in connection with the surveillance of such rating, in each case, contemporaneous with the provision of such information to the applicable rating agency and (iii) provide access to such website to other rating agencies that have made certain certifications to the arranger regarding their use of the information. In this transaction, the “**arranger**” is BNP Paribas.

Each rating agency must be able to reasonably rely on the arranger’s certifications. If the arranger does not comply with its undertakings to any rating agency with respect to this transaction, such rating agency may withdraw its ratings of the Notes. In addition, if BNP Paribas, as arranger of one or more other transactions, does not comply with its undertakings to any rating agency with respect to any such other transaction, such rating agency may withdraw its ratings of securities issued in additional transactions with respect to which BNP Paribas is the arranger, including the Notes. In either such case, the withdrawal of ratings by any rating agency may adversely affect the price or transferability of the Notes and may adversely affect any beneficial owner that relies on ratings of securities for regulatory or other compliance purposes.

## ADDITIONAL RISK FACTORS

*Capitalised terms used in this section of this Prospectus have the meaning given in the conditions of the Notes or the conditions of the Loan Notes. Each investor contemplating purchasing any Notes must ensure that it understands the risks associated with its investment as set out in this Prospectus and also the additional risks set out below.*

*Investors are exposed to the risk of total or partial loss of their investment.*

### **Investor Suitability**

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each investor should:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes and the rights attaching to the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) capable of bearing the economic risk of an investment in the Notes for an indefinite period of time;
- (c) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets;
- (d) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **No investigations**

No investigations, searches or other enquiries have been made by or on behalf of the Issuer, the Managers, the Trustee, the Managers' Trustee or the Enforcement Agent in respect of the Loan Notes and no representations or warranties, express or implied, have been given by the Issuer, the Managers, the Trustee, the Managers' Trustee, the Enforcement Agent or any other person on their behalf in respect of the Loan Notes.

### **Potential conflicts of interest**

The Managers and their affiliates have engaged in, or may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Loan Notes Issuer or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Loan Notes Issuer or their respective affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer, the Loan Notes Issuer or their respective affiliates routinely hedge their credit exposure to the Issuer, the Loan Notes Issuer or their respective affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's, the Loan Notes Issuer's or their respective affiliates' securities,



including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Possibility of U.S. withholding tax on payments**

In certain circumstances payments to the Issuer may be subject to U.S. withholding tax if it fails to enter into an agreement with the IRS (as described below). In addition, a holder of the Notes may become subject to U.S. withholding at a rate of 30 per cent. on all, or a portion of, certain payments in respect of the Notes made to it after 31 December 2016 in the case of passthru payments if, as expected, the Notes are treated as equity for U.S. federal tax purposes or if the Notes are treated as debt for U.S. federal tax purposes and are significantly modified after 31 December 2012. Recently released proposed regulations contain an exception that provides that the new withholding tax rules will not apply to debt instruments that are outstanding on 1 January 2013 (provided that they are not significantly modified on or after that date). The IRS's guidance in this regard is only preliminary, and the scope of these rules remains unclear and potentially subject to material changes.

On 18 March 2010, the United States enacted sections 1471 through 1474 of the U.S. Internal Revenue Code. ("FATCA"). Under FATCA, a non-U.S. financial institution generally will be required to enter into an agreement (an "FFI Agreement") with the U.S. Internal Revenue Service (the "IRS") to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term financial institution includes, among others, banks, insurance companies and entities that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests, including securitization vehicles. If a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish that the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30 per cent. on a portion of the payment. The IRS has indicated an intention to treat, for example, interest and principal paid by a participating financial institution as being subject to this 30 per cent. withholding, but only in proportion to the value of the financial institution's direct and indirect U.S. assets as compared to its total assets. However, the IRS is further considering the treatment of these so-called "passthru payments" and it is not clear how this rule will ultimately apply to the Issuer or the Notes.

If the Issuer is required to enter into an FFI Agreement and fails to do so, or fails to comply with its obligations under that agreement, the Issuer would be subject to 30 per cent. withholding on all, or a portion of, payments received from U.S. sources and from participating or deemed compliant Foreign Financial Institutions. It is unclear whether the Loan Notes Issuer will be a Foreign Financial Institution and, if it were, whether the Loan Notes would be instruments on which passthru payment withholding would be required.

The relevant rules have not yet been fully developed and the future application of FATCA to the Issuer and the holders of Notes is uncertain. If the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, Noteholders may be required to provide certain information or be subject to withholding on certain payments (including payments upon redemption of Notes) made to them. The withholding obligation in respect of a non-participating financial institution may apply whether the financial institution is receiving payments for its own account or on behalf of another person. If a holder is subject to withholding on account of FATCA, there will be no additional amount payable by way of compensation to the holder for the deducted amount. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts

withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

**THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

**Risk Factors in relation to the Loan Notes**

Potential investors should make their own investigations in respect of the Loan Notes Issuer and the Loan Notes, including having regard to the disclosure, risks (including specific risk factors therein) and investment considerations set out in the Loan Notes Documents.

**Payments on the Notes are dependent on payments on the Loan Notes**

Investors should note that payments on the Notes are dependent on payments on the Loan Notes. Any event that causes the Loan Notes Issuer not to make all or part of any scheduled payments on the Loan Notes, or to delay any such payments, will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes. The Notes may also be redeemed earlier than anticipated due to events affecting the Loan Notes such as Accounting Events, Capital Events and Regulatory Events, all as defined and more particularly set out in the Loan Notes Documents. Certain of these events may cause significant losses to Noteholders and may result in the Notes paying no interest or redeeming at zero. As Noteholders are exposed to the market price of the Loan Notes which will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the Loan Notes Issuer, an early redemption may result in capital losses incurred by the Noteholders at the time the Notes are redeemed.

Although the terms and conditions of the Loan Notes provide for the possibility of the Loan Notes being redeemed early at the option of the Loan Notes Issuer (subject to obtaining the prior written consent of FINMA or any successor authority thereto and provided that such consent is required at that time under applicable capital or solvency regulations), the Loan Notes Issuer is under no obligation to exercise its option to redeem the Loan Notes prior to their Scheduled Maturity Date and accordingly holders of the Notes should be aware that the Notes may not be redeemed prior to the Maturity Date of the Notes.

The Noteholders will have no right to physical delivery of the Loan Notes under the terms of the Notes. Any enforcement of security over the Loan Notes is subject to the transfer restrictions set forth in the terms and conditions of the Loan Notes (the “**Loan Notes Conditions**”). These transfer restrictions severely limit the potential transferees of the Loan Notes.

**The Maturity Date of the Notes may be extended indefinitely**

If on the Scheduled Maturity Date of the Notes a “Solvency Event” (as defined in the Loan Notes Conditions) has occurred and is continuing, then the Maturity Date of the Notes will be extended and the Noteholders will have no right to repayment until such event no longer exists or prior approval by FINMA or any Successor Authority (as defined in the Loan Notes Conditions) is given for such repayment.

**The Loan Notes Issuer’s obligations under the Loan Notes are subordinated**

The obligations of the Loan Notes Issuer under the Loan Notes are subordinated and will rank junior in priority of payment to the claims of Senior Creditors (as defined in the Loan Notes Conditions). Furthermore, the Loan Notes Issuer shall have the option to defer payments of interest on the Loan Notes when such

interest has accrued in respect of an interest period which ends on an Optional Interest Payment Date (as defined in the Loan Notes Conditions) and shall also be required to defer payment of interest on the Loan Notes if a Solvency Event (as defined in the Loan Notes Conditions) has occurred and is continuing. Certain Arrears of Interest (as defined in the Loan Notes Conditions) may only be payable on Loan Notes following the prior written approval of FINMA or any Successor Authority. The above events would have an impact on the amount and timing of any payout under the Notes. There is also a real risk that the Noteholders may lose all or some of their investment should the Loan Notes Issuer become insolvent.

#### **No withholding and early redemption for taxation reasons**

If the Issuer (A) would be required by law to withhold or account for tax, (B) would suffer tax in respect of its income in respect of the Loan Notes or (C) would receive net of tax any payment in respect of the Loan Notes, so that it would be unable to make payment of the full amount scheduled in respect of the Notes, then (subject to certain exceptions as specified in Condition 7(c)) the Issuer may use its reasonable endeavours to arrange the substitution of it as obligor under the Notes in order to cure such withholding or accounting. However if it is unable to or does not so arrange such substitution, the Issuer shall notify the Noteholders that all payments in respect of the Notes shall thereafter be made subject to and after deduction of all applicable taxes. Such deduction shall not constitute an Event of Default under Condition 11 (*Events of Default*). Following such notification, Noteholders may (other than in the case of (C) above) require the Issuer to redeem Notes by Cash Settlement at their Early Redemption Amount, subject to deduction of certain costs and expenses, all as further described in Condition 7(c) (*Redemption for Taxation Reasons*). See the section entitled “Taxation” on pages 112 to 116 of this Prospectus.

The Loan Notes Conditions provide that, subject to certain exemptions, the Loan Notes Issuer shall make all payments of principal and interest on the Loan Notes, free of any withholding or deduction for or on account of any taxes, duties or assessments or governmental charges in Switzerland unless such withholding or deduction is required by law. The Issuer and the Managers have received a legal opinion from Swiss counsel of the Loan Notes Issuer that the Loan Notes Issuer is not at the date of issue of the Loan Notes required by law to make such deduction or withholding. The Loan Notes Issuer has obtained a tax ruling from the relevant Swiss authorities that no Swiss tax withholding or deduction will be required to be made by it in respect of payments due to be made by it to the Issuer under the Loan Notes. However, there can be no assurance as to the future impact of any possible administrative or judicial decision or change to any relevant Swiss law and/or administrative practice after the date of issue of the relevant Loan Notes.

Although the Loan Notes provide for the payments of additional amounts to be paid by the Loan Notes Issuer if the Loan Notes Issuer becomes obliged by Swiss law to make any withholding or deduction in respect of payments of principal and interest under the Loan Notes, the obligation to pay such additional amounts may not be enforceable under Swiss law. In that event, the Notes may become subject to redemption in such circumstances and may result in amounts payable to Noteholders being less than their principal amount.

If the Loan Notes Issuer becomes obliged to pay additional amounts in respect of the Loan Notes pursuant to the imposition of any withholding or deduction in respect of payments of principal and interest under the Loan Notes as a result of a change in, or amendment to the laws and regulations of Switzerland, the Loan Notes Issuer may, provided that FINMA or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Loan Notes Issuer (i) has given (and has not subsequently withdrawn) its consent to the redemption if such consent is required or (ii) has not objected to such redemption, redeem all of the Loan Notes which will result in the redemption of all of the Notes.

#### **Purchase, Exchange or Retirement of Notes: Tender Offers and Exchange Offers**

The terms of the Notes provide that in certain circumstances (as set out in paragraph 29 under “Additional Terms and Conditions”), the Issuer may participate in a Tender Offer or an Exchange Offer (each as defined in

the Additional Terms and Conditions) of the Loan Notes Issuer with respect to the Loan Notes. If, in such circumstances, the Loan Notes Issuer defaults in the performance of its payment or delivery obligations under the terms of any such Tender Offer or Exchange Offer, then the Issuer will not be able to satisfy its corresponding payment or delivery obligations to Noteholders in respect of any corresponding Aquarius Tender Offer or Aquarius Exchange Offer (each as defined in the Additional Terms and Conditions). Any failure by the Issuer to make a payment or delivery due in connection with any Aquarius Tender Offer or Aquarius Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 11(a) (*Events of Default*), leading to the security for the Notes becoming enforceable. Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Loan Notes Issuer in respect of any Tender Offer or Exchange Offer, regardless of whether or not they participate in any corresponding Aquarius Tender Offer or Aquarius Exchange Offer. Any Aquarius Tender Offer or Aquarius Exchange Offer is subject to any terms or conditions required by the Trustee and, for so long as the Notes are listed on the official list of the Irish Stock Exchange and admitted to trading on Global Exchange Market of the Irish Stock Exchange, all applicable rules and regulations of the Irish Stock Exchange, and to notification to Moody's and S&P and confirmation from S&P that the then current rating of the Notes by S&P will not be adversely affected after the conclusion of any such Aquarius Tender Offer or Aquarius Exchange Offer.

#### **Modification, waivers and substitution**

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

The conditions of the Notes also provide that the Trustee may, in certain circumstances described in Condition 17 (*Meetings of Noteholders; Modification, Waiver and Substitution*) and in the Trust Deed, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders or (ii) any modification of the same which is of a formal, minor or technical nature or to cure a manifest error.

#### **Transfer restrictions in Loan Notes**

The Issuer shall be subject to certain transfer restrictions applicable to the Loan Notes in relation to any disposal of the Loan Notes. In particular, the Loan Notes can only be transferred to certain Qualifying Banks (as defined in the Loan Notes Conditions) as set out in Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Condition 10(k) (*Grants of Security*) of the Loan Notes Conditions. Neither the Redemption Agent nor the Enforcement Agent acting on behalf of the Issuer shall, and shall not be required to, dispose of the Loan Notes where such disposal would violate any such transfer restrictions. These transfer restrictions may limit the ability of the Issuer to dispose of the Loan Notes. In addition, the Loan Notes are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Loan Notes and the Loan Notes will be illiquid. The illiquidity of the Loan Notes may have a severely adverse effect on the market value of the Loan Notes.

#### **Limitations on enforcement against the Loan Notes Issuer**

In no circumstances shall the Trustee or, as the case may be, the Managers' Trustee, be permitted when acting in its capacity as trustee for the Noteholders or the Managers, nor shall the Noteholders or the Managers, (when acting in their respective capacities) be permitted, to take any action against the Loan Notes Issuer or enforce any claim that the Issuer may have against the Loan Notes Issuer under Loan Notes or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable (the "**Enforcement Restriction**").

If the Loan Notes (or part thereof) become due and repayable by reason of default in payment or otherwise, or if there is a default in payment on exercise of any optional settlement in relation to the Loan Notes that is continuing after any grace period applicable thereto, then the Issuer may (provided that the Noteholders' Security has not become enforceable) procure that the Redemption Agent (subject to being secured and/or indemnified and/or prefunded its satisfaction) takes such steps as are necessary or appropriate to attempt to enforce the Issuer's rights in respect of the Loan Notes, but shall not, unless so directed by the Trustee acting at the direction of an Extraordinary Resolution of Noteholders, request that the Redemption Agent disposes of the Loan Notes in accordance with the Conditions.

Following the occurrence of an Event of Default and acceleration of the Notes in accordance with Condition 11 (*Events of Default*), the Trustee at its discretion may, and shall (i) if directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding and (ii) if indemnified to its satisfaction, institute such proceedings against the Issuer to enforce the provisions of the Notes and/or the Trust Deed, subject always to the Enforcement Restriction.

The Enforcement Agent shall, if the Issuer is directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth of the principal amount of the Notes then outstanding, and subject to having been indemnified and/or secured and/or prefunded to its satisfaction, exercise and/or enforce on behalf of the Issuer as the Issuer's agent any claim that the Issuer may have against the Loan Notes Issuer under the Loan Notes and/or the Loan Notes Purchase Agreement or take any action against the Loan Notes Issuer and/or dispose of the Loan Notes. Any such action brought by the Enforcement Agent against the Loan Notes Issuer shall be taken by the Enforcement Agent acting as agent of the Issuer and not, for the avoidance of doubt, as trustee for the Noteholders and no Noteholder shall be entitled to give directions to the Enforcement Agent in relation to the manner in which any such action is pursued against the Loan Notes Issuer. In no circumstances will any Loan Notes be delivered to a Noteholder.

The Trustee and the Noteholders are subject to the Enforcement Restriction and may not take enforcement action even (in the case of the Trustee) if directed to do so by the Noteholders. The Noteholders will have no right to take possession of the Loan Notes or take any action against the Loan Notes Issuer.

### **Payments**

No person other than the Issuer will be obliged to make payments on the Notes.

### **Managers' Security**

The proceeds of enforcement of the Managers' Security (as defined below) will be held by the Enforcement Agent on trust for the Managers and, subject to the prior ranking claims of the Managers' Trustee and the Enforcement Agent, applied in respect of any Managers' Claims (as defined below). Noteholders have no direct or indirect interest in the Managers' Security and will not be entitled to the proceeds of enforcement of the Managers' Security.

### **Credit Ratings**

The Notes and the Loan Notes are rated securities. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Rating agencies may change their rating methodology, which could adversely affect the rating of the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

Documents relating to the Issuer and the Programme

This Prospectus should be read and construed in conjunction with the audited non-consolidated financial statements of Aquarius + Investments plc as at, and for the years ended, 31 August 2011 and 2012, and the related notes and the statutory auditors' reports thereon (the "**Aquarius + 2011 Accounts**" and "**Aquarius + 2012 Accounts**" respectively), which will be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document all or the relevant portion of which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that such statement is inconsistent with a statement contained in this Prospectus.

Any documents incorporated by reference into the Appendices are not incorporated into this Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the written request of any such person, a copy of any or all of the documents which, or portions of which, are deemed to be incorporated herein by reference (to the extent that they relate to the Issuer). Requests for such documents should be directed to the office of the Issuer, being the address set out at the end of this Prospectus.

Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

## ADDITIONAL TERMS AND CONDITIONS

The additional terms and conditions below supplement and amend the Terms and Conditions of the Notes set out below under “Terms and Conditions” (The “**Base Terms and Conditions**”). References in the Base Terms and Conditions to “**Final Terms**” should be construed, for the purposes of the Notes, as references to the additional terms and conditions below.

Parties	
<b>Issuer</b>	Aquarius + Investments plc.
<b>Manager’s Trustee and Trustee and Specified Office</b>	BNP Paribas Trust Corporation UK Limited of 55 Moorgate, London EC2R 6PA, England.
<b>Principal Paying Agent and Specified Office</b>	BNP Paribas Securities Services, Luxembourg Branch of 33 rue de Gasperich, Howald-Hesperange, L-2085 Luxembourg.
<b>Registrar and Specified Office (Registered Notes only)</b>	Not applicable.
<b>Paying Agents and Specified Offices</b>	Not applicable.
<b>Transfer Agents and Specified Offices (Registered Notes only)</b>	Not applicable.
<b>Custodian and Specified Office</b>	BNP Paribas Securities Services, Luxembourg Branch of 33 rue de Gasperich, Howald-Hesperange, L-2085 Luxembourg.
<b>Account Bank and Specified Office</b>	BNP Paribas Securities Services, Luxembourg Branch of 33 rue de Gasperich, Howald-Hesperange, L-2085 Luxembourg.
<b>Agent Bank and Specified Office</b>	Not applicable.
<b>Calculation Agent</b>	BNP Paribas, London Branch of 10 Harewood Avenue, London NW1 6AA, England.
<b>Redemption Agent</b>	BNP Paribas, London Branch, 10 Harewood Avenue, London NW1 6AA, England.
<b>Enforcement Agent</b>	BNP Paribas Trust Corporation UK Limited of 55 Moorgate, London EC2R 6PA, England.
<b>Determination Agent</b>	BNP Paribas, London Branch, 10 Harewood Avenue, London NW1 6AA, England.
<b>Swap Counterparty</b>	Not applicable.
<b>Repo Counterparty</b>	Not applicable.
<b>Issuer Credit Enhancer</b>	Not applicable.
<b>Swap Guarantor</b>	Not applicable.
<b>Credit Support Provider</b>	Not applicable.
Type of Notes	
1 Interest/Payment Basis	The Notes shall be pass-through interest bearing Notes, with provisions as to interest described in Annex 1 to these Additional Terms and Conditions.
2 If Instalment Note, insert Instalment Amount(s)/Instalment Date(s)	Not applicable.

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|---|---|-----------------|
| 3 | If Dual Currency Notes, insert the Rate of Exchange/calculation agent/fall back provisions/person at whose option Specified Currency is to be payable | Not applicable. |
|---|---|-----------------|

#### Description of the Notes

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|----|---|--|
| 4  | Notes issued in bearer or registered form   | Bearer.  |
| 5  | Notes in bearer form to be represented on issue by a Temporary Global Note or a Permanent Global Note   | Permanent Global Note.   |
| 6  | Provisions for exchange of Temporary Global Notes   | Provisions for exchange of Permanent Global Notes: Permanent Global Note exchangeable into definitive Bearer Notes in certain limited circumstances as specified in the relevant Permanent Global Note.  |
| 7  | Notes in registered form  | Not applicable.  |
| 8  | Provisions for exchange of Registered Global Notes (if applicable)  | Not applicable.  |
| 9  | (a) Coupons to be attached to Bearer Notes in definitive form   | No.  |
|    | (b) Talons for future Coupons to be attached to Bearer Notes in definitive form   | No.  |
|    | (c) Date(s) on which the Talons mature  | Not applicable.  |
| 10 | (a) Series Number   | 2013-01.   |
|    | (b) Class of Notes  | Not applicable.  |
|    | (c) Details of the Class Notes to which this Class of Notes relates (including ranking between Classes)   | Not applicable.  |
|    | (d) Tranche Number  | 2.   |
|    | (e) If forming part of an existing Class and/or Series, details of the Class and/or Series (including the date, if any, on which the Notes become fungible) | The Notes will be consolidated and form a single series with the Series 2013-01 €787,522,000 Limited Recourse Secured Notes secured over the Fixed-to-Floating Dated Subordinated Notes of Zurich Insurance Company Ltd due 2043 issued on 4 March 2013 (the “ <b>Original Notes</b> ”) on the Issue Date. |
| 11 | (a) Nominal Amount of Notes to be issued  | €212,478,000.  |
|    | (b) Aggregate nominal amount of   | €212,478,000.  |



	Series and/or, if applicable, Class (if more than one issue for the Series or, if applicable, Class)	
(c)	Specified Currency (or Currencies in the case of Dual Currency Notes)	Euro.
(d)	Specified Denomination(s)	€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (or equivalent)
12	Issue Price	99.119% plus 144 days accrued interest from, and including, 4 March 2013 to, but excluding, the Issue Date.
13	Issue Date	26 July 2013.
14	Interest Commencement Date	4 March 2013.
15	Automatic/optional conversion from one Interest/Payment Basis to another	Not applicable.

#### **Provisions Relating to Interest (if any) Payable**

The Notes are interest bearing. Interest shall accrue and be payable on the basis set out in paragraph 1 of Annex 1 to these Additional Terms and Conditions.

#### ***Fixed Rate Notes***

16	Fixed Rate	Not applicable
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#### ***Floating Rate Notes or Indexed Interest Notes***

17	Floating Rate Notes or Indexed Interest Notes	Not applicable.
18	Floating Rate Notes	Not applicable.
19	Indexed Interest Notes	Not applicable.

#### ***Zero Coupon Notes***

20	Zero Coupon Notes	Not applicable.
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#### **Provisions Regarding Payments**

21	Definition of “Payment Day” for the purpose of Conditions if different from that set out in Condition 6(f)	As specified in Condition 6(f).
22	Additional Financial Centre(s) or other special provisions relating to Payment Days	Not Applicable.

#### **Provisions Regarding Redemption Maturity**

23	Maturity Date	2 October 2043 (the “ <b>Scheduled Maturity Date</b> ”), provided that if a Solvency Event (as defined in the Loan Notes Conditions) has occurred and is continuing, or would occur as a result of the relevant redemption of the Loan Notes, the Maturity Date shall be extended until the first Business Day
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following the maturity date of the Loan Notes. The maturity date of the Loan Notes shall be determined in accordance with the Loan Notes Conditions.

The Issuer shall notify the Trustee in writing promptly upon being notified (i) of the occurrence of a Solvency Event (as defined in the Loan Notes Conditions), (ii) of the date on which such event is no longer continuing), (iii) of any such written approval by FINMA or any Successor Authority for repayment of the Loan Notes and (iv) of the Maturity Date of the Notes where it is not the Scheduled Maturity Date. Such notification shall be conclusive and binding on all parties and all Noteholders.

The Trustee shall not assume any responsibility whatsoever for ascertaining or monitoring whether or not any of the events or circumstances set out above exists or has occurred and unless and until it has received express notice to the contrary it shall be entitled to assume (without any liability to any person) that no such event or circumstance exists or has occurred and the Notes will mature on the Scheduled Maturity Date.

24	Final Redemption Amount for each Note, including the method, if any, of calculating the same	An amount per Note, equal to such Note's Specified Denomination.
25	Redemption for taxation reasons applicable to Issuer Credit Enhancer	Not applicable.
26	Early Redemption Amount for each Note payable on redemption for taxation reasons or upon early repayment of the Charged Assets or upon termination of the Charged Agreements or on an Event of Default and/or the method, if any, of calculating the same	An amount per Note, as determined by the Calculation Agent acting in good faith, equal to such Note's pro rata proportion of the proceeds of liquidation (in accordance with Condition 3(f)) of the Charged Assets received by or on behalf of the Issuer, applied in accordance with Condition 3(g) (as modified in paragraph 43 of these Additional Terms and Conditions) and Clause 11 of the Master Trust Deed.
27	(a) Redemption at Issuer's option (b) Redemption at Noteholder's option	No. No.
28	Settlement Basis	Cash Settlement.
29	Whether the Issuer is able to purchase any of the Notes pursuant to Condition 9	Condition 9 shall not apply. The terms on which the Issuer is able to purchase, exchange or retire the Notes are set out in paragraph 10 of Annex 1 to these Additional terms and Conditions.

**Delivery Option**

30	Asset Amount	Not applicable.
31	Period of Notice (if different from that set out in Condition 8(a))	Not applicable.

32	Delivery Method	Not applicable.
33	Disruption Cash Settlement Price	Not applicable.

#### Provisions relating to the Security

34	Security over Charged Assets created in Trust Deed and/or Charging Document	Trust Deed.
35	Charged Assets	<p>The Charged Assets in respect of the Notes and the Original Notes are comprised of:</p> <p>(a) €212,478,000 in principal amount of the €212,478,000 Fixed-to-Floating Dated Subordinated Notes (the “<b>Further Loan Notes</b>”) of Zurich Insurance Company Ltd (the “<b>Loan Notes Issuer</b>”), which will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian pursuant to the Custodial Service Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed;</p> <p>(b) €787,522,000 in principal amount of the €787,522,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer due on 2 October 2043 which was issued on 4 March 2013 (the “<b>Original Loan Notes</b>”); and</p> <p>(c) any proceeds derived therefrom.</p> <p>The Loan Notes are unlisted and have not been admitted to trading on any stock exchange.</p>
36	Maturity of the Charged Assets	The Loan Notes are scheduled to mature on 2 October 2043. The Loan Notes Issuer has the benefit of a call option pursuant to which it may redeem the Loan Notes on 2 October 2023 or any interest payment date thereafter.
37	Credit Support Document	None.
38	Charging Document (if any)	Not applicable.
39	Charged Agreements	
	(a) Swap Agreement	Not applicable.
	(b) Repurchase Agreement	Not applicable.
40	Governing law of the Charged Assets, the Credit Support Document, the Charged Agreements and the Charging Document (if any) (if other than English law) and jurisdiction submitted to in the Charging Document (if any)	Governing law in respect of the Loan Notes: English law, save for the subordination provisions, which will be governed by Swiss law.
41	Any other applicable security interests for the purposes of Condition 3(a)(D)	All of the Issuer’s rights, title and interest in the Loan Notes Purchase Agreement except to the extent included in the Managers’ Security (as defined in Annex 1 to these Additional Terms and Conditions).

“**Loan Notes Purchase Agreement**” means the sale and purchase agreement dated on or about the Issue Date relating to the Further Loan Notes between the Loan Notes Issuer and the Issuer.

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| 42 | Whether or not the Mortgaged Property is secured in favour of any other Class of Notes  | No.   |
| 43 | Security Ranking Basis  | Private Basis. The Realisation Amount (as defined in Condition 3(g)) shall be applied by the Trustee or, as the case may be, the Enforcement Agent (following payment of all amounts due to the Trustee, any agent of the Trustee and the Enforcement Agent) <i>pro rata</i> and on a <i>pari passu</i> basis in meeting the claims of the Noteholders (and Couponholders, if any), and the definition of “Private Basis” in Condition 3(g) shall be modified accordingly. For the avoidance of doubt, Private Basis shall apply in relation to the application of the proceeds of enforcement of the Noteholders’ Security and shall not apply to the application of the proceeds of enforcement of the Managers’ Security, which shall be applied in accordance with paragraph 6.2 of Annex 1 below to these Additional Terms and Conditions. |
| 44 | Custodian’s account details   | Not applicable.   |
| 45 | Swap Counterparty’s account details (being the account to which the Custodian will credit amounts received by it in respect of the Charged Assets)  | Not applicable.   |
| 46 | Repo Counterparty’s account details   | Not applicable.   |
| 47 | Principal Paying Agent’s account details (being the account to which the Issuer will credit amounts payable under the Notes and to which the Swap Counterparty and Repo Counterparty (if any) will credit amounts payable under the Swap Agreement or the Repurchase Agreement, as applicable, to the Principal Paying Agent on behalf of the Issuer) | To be notified to the Issuer in writing not less than five Business Days prior to the date upon which any payment in respect of the Notes is to be made.  |
| 48 | Whether the Charged Assets may be substituted for alternative security pursuant to Condition 3(b)(ii), and, if so, any particular assets and/or terms or other requirements relating to such substitution   | No.   |

49	Other relevant details relating to the Charged Assets	None.
50	Special terms relating to the Notes Guarantee	Not applicable.

#### Credit-Linked Notes

51	Credit-Linked Notes	Not applicable.
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#### General Provisions Applicable to this Issue of Notes

52	Redenomination applicable	Not applicable.
53	Other terms or special conditions	Amendments to the Conditions, additional terms and special conditions are set out in Annex 1 below to these Additional Terms and Conditions.
54	Details of additional/alternative clearing system approved by the Issuer and the Principal Paying Agent	Not applicable.
55	Applicable “foreign targeted obligation” exception	Not applicable.
56	Additional selling restrictions	Not applicable.
57	(a) Method of distribution	Syndicated. Pursuant to a subscription agreement dated on or about the Issue Date (the “ <b>Subscription Agreement</b> ”) between the Issuer and BNP Paribas and Barclays Bank PLC (each a “ <b>Manager</b> ” and together the “ <b>Managers</b> ”). The Subscription Agreement is supplemental to the Amended and Restated Programme Agreement dated 21 April 2008 between, amongst others, the Issuer and BNP Paribas as the “ <b>Initial Dealer</b> ”.
	(b) Dealer acting as principal or agent	Not applicable.
58	Stabilising Dealer/Manager	BNP Paribas.
59	(a) Notes to be listed	Yes.
	(b) Stock Exchange(s)	Irish Stock Exchange’s Global Exchange Market.
	(c) Listing Agent	BNP Paribas Securities Services, Luxembourg Branch.
	(d) Admission to trading	Application has been made for the Notes to be admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

#### Operational Information

ISIN (Reg S Notes)	XS0897406814
ISIN (Rule 144A Notes)	Not applicable.
Common Code (Reg S Notes)	089740681
Common Code (Rule 144A Notes)	Not applicable.

CUSIP (Rule 144A Notes) Not applicable.

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s) Not applicable.

Names and addresses of additional Paying Agent(s) (if any) Not applicable.

***Ratings***

Ratings The Notes are expected to be rated A2 by Moody's Investors Service Limited ("**Moody's**") and A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), on issue.

Moody's is established in the European Union and registered under the Regulation (EC) No 1060/2009 (the "CRA Regulation") on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

***Responsibility***

Save as hereafter provided, the Issuer accepts responsibility for the information contained in these Additional Terms and Conditions.

**ANNEX 1**  
**OTHER TERMS OR SPECIAL CONDITIONS**

**1 Interest**

The interest payable in respect of the Notes is linked to interest payments in respect of the Loan Notes. Any event that causes the Loan Notes Issuer not to make all or part of any scheduled interest payments in respect of the Loan Notes, or to delay any such scheduled interest payments, will result in corresponding reductions or delays to the interest payable in respect of the Notes.

If the Loan Notes are not subject to any such reductions or delays and subject as provided below, each Note will pay interest on the Note Interest Payment Date that is, or is the Payment Day immediately following, each Scheduled Loan Notes Interest Payment Date, at the applicable Loan Notes Rate of Interest.

Each Note bears interest from (and including) the Note Interest Commencement Date on the basis of the relevant Note Interest Amount calculated in respect of each relevant Note Interest Payment Date. For each Note Interest Payment Date on which a Note is outstanding, the relevant Note Interest Amount shall be due and payable in respect of the Specified Denomination of the relevant Note on such Note Interest Payment Date.

Interest will cease to accrue on each Note on the Scheduled Maturity Date unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) on any overdue principal from the due date for redemption to the Relevant Date (as defined in the Loan Notes Conditions) at the rate determined daily by the Calculation Agent to be the rate for overnight deposits in the applicable currency. Such interest shall be added annually to the overdue sum and shall itself bear interest accordingly.

“**Business Day Convention**” means Modified Following Business Day Convention.

“**Further Loan Notes Final Terms**” means the final terms dated 24 July 2013 issued in respect of €212,478,000 in principal amount of the €212,478,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer. The form of the Further Loan Notes Final Terms are set out at Appendix A to this Prospectus.

“**Interest Calculation Date**” means in respect of a Loan Notes Interest Amount, the Loan Notes Interest Payment Date relating thereto or, if later, the later of (i) the date on which the Issuer receives payment of the Loan Notes Interest Amount relating to such Loan Notes Interest Payment Date and (ii) the date on which the Calculation Agent is notified by or on behalf of the Issuer of the Loan Notes Interest Amount relating to such Loan Notes Interest Payment Date and has received any information required in order to enable the Calculation Agent to determine the related Note Interest Amount.

“**Interest Commencement Date**” means the Issue Date of the Loan Notes.

“**Loan Notes Conditions**” means the base terms and conditions (the “**Loan Notes Base Conditions**”) of the Loan Notes, set out in the “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” in the Loan Notes Trust Deed, as amended and supplemented by the Loan Notes Final Terms and Further Loan Notes Final Terms. The Loan Notes Base Conditions are set out at Appendix D to this Prospectus.

“**Loan Notes Final Terms**” means the Original Loan Notes Final Terms and the Further Loan Notes Final Terms.

“**Loan Notes Interest Amount**” means any interest amount payable in respect of the Loan Notes, including but not limited to scheduled Interest Payments and payments of Arrears of Interest (each as defined in the Loan Notes Conditions), to the extent that the relevant interest amount is actually received by the Issuer and subject to any adjustments to such amounts as set out in the Loan Notes Final Terms.

“**Loan Notes Interest Payment Date**” means any date on which a Loan Notes Interest Amount is payable.

“**Loan Notes Issue Date**” means the “Issue Date” of the Loan Notes (as defined in the Loan Notes Conditions).

“**Loan Notes Rate of Interest**” means the applicable “Rate of Interest” (as defined in the Loan Notes Conditions), being:

- (i) in respect of the period from and including the Loan Notes Issue Date, to but excluding the Scheduled Loan Notes Interest Payment Date falling on 2 October 2023 (the “**Loan Notes First Call Date**”), 4.25 per cent. per annum fixed rate; and
- (ii) thereafter from and including the Loan Notes First Call Date, 3 month Eurozone interbank offered rate (EURIBOR) plus 3.45 per cent. per annum floating rate.

“**Loan Notes Trust Deed**” means the amended and restated trust deed of the Loan Notes Issuer dated 15 May 2012.

“**Note Interest Amount**” means, in respect of each Note, its pro rata share of an amount equal to any Loan Notes Interest Amount received by the Issuer in respect of the Interest Calculation Date relating to such Loan Notes Interest Amount.

“**Note Interest Payment Date**” means the relevant Interest Calculation Date or, where the Calculation Agent determines that payment of any related Note Interest Amount on such date is not possible or practicable, the Payment Day immediately following such Interest Calculation Date.

“**Original Loan Notes Final Terms**” means the final terms dated 4 March 2013 issued in respect of €787,522,000 in principal amount of the €787,522,000 Fixed-to-Floating Dated Subordinated Notes of the Loan Notes Issuer.

“**Scheduled Loan Notes Interest Payment Date**” means 2 January, 2 April, 2 July and 2 October of each year from and including the first Note Interest Payment Date to and including the Maturity Date.

## 2 Sale of Charged Assets

Condition 3(f) (*Sale of Charged Assets*) shall be amended as follows:

- (a) The reference in sub-paragraph (i) to “at least three dealers” shall be replaced with a reference to “at least five dealers”;
- (b) Notwithstanding any term to the contrary, the Redemption Agent:
  - (i) shall only sell or arrange the sale of the relevant Charged Assets on the earlier to occur of (i) the day on which firm bid quotations from at least five dealers have been obtained, or (ii) the day falling 30 days after the date on which the Redemption Agent first becomes required to sell the relevant Charged Asset (the “**Long Stop Date**”); and
  - (ii) the Redemption Agent may only purchase the relevant Charged Assets itself if either (i) it provides a firm bid quotation at a time when it has received at least one other firm bid quotation for the purchase of the relevant Charged Assets, or (ii) it has attempted to obtain firm bid



quotations for the purchase of the relevant Charged Assets but has not been able to obtain such quotations prior to the Long Stop Date.

### 3 Early Redemption – Redemption in relation to the Loan Notes

Condition 7(b) (*Redemption in relation to the Charged Assets*) shall be deleted and replaced with the following:

“Early repayment of Loan Notes

If the Loan Notes are to be redeemed in full pursuant to their terms (including, for the avoidance of doubt, the redemption of the Loan Notes pursuant to the exercise of the Loan Notes Issuer of its rights under the Loan Notes to redeem the Loan Notes on the Loan Notes First Call Date or any Loan Notes Interest Payment Date thereafter), the Issuer shall, forthwith upon becoming aware of such redemption, on giving such period of notice as expires not more than ten nor less than five Business Days following the date upon which the Issuer is due to receive the redemption proceeds of such Loan Notes to the Trustee, the Redemption Agent, the Principal Paying Agent and to the Noteholders in accordance with Condition 16 (*Notices*), and, if such proceeds are received by the Issuer on the due date therefor, redeem each Note in full at an amount in cash equal to such Note’s pro rata share of such proceeds.

If such proceeds are not so received by the Issuer, then:

- (A) the Issuer shall not be obliged to redeem the Notes until it has received all of the proceeds of the Loan Notes or any final amount paid towards satisfaction of the Loan Notes; and
- (B) the Issuer shall:
  - (x) procure that the Redemption Agent, subject to the provisions of the Trust Deed and to Condition 12 (*Enforcement*), shall make such filings or claims as the Redemption Agent shall, in its sole and absolute discretion, deem necessary or appropriate to pursue the rights and claims of the Issuer in respect of the Loan Notes to the extent reasonably practicable so to do, provided that (A) the Redemption Agent may, but is not obliged to, initiate any proceedings against the Loan Notes Issuer and (B) shall not be obliged to take any action under this Condition 7(b) until it has been indemnified and/or secured and/or prefunded as to its costs and expenses in so acting to its satisfaction; or
  - (y) if the Issuer is so directed in writing by the Trustee (acting at the direction of an Extraordinary Resolution of Noteholders), the Issuer shall promptly direct in identical form and substance to such direction, that the Redemption Agent shall arrange for and administer the sale of the Loan Notes in accordance with Condition 3(f), subject to the transfer restrictions thereof, on behalf of the Issuer. The Issuer shall at the same time (unless otherwise agreed by the Trustee) give notice (a) that the Notes are to be redeemed at the Early Redemption Amount pursuant to this Condition 7(b) following receipt of the realisation proceeds of the Loan Notes and (b) upon receipt of such proceeds, of the date upon which the Notes are to be redeemed (which date shall be not more than ten nor less than five Business Days following receipt of such proceeds), in both cases to the Noteholders in accordance with Condition 16 (*Notices*), the Trustee and the Principal Paying Agent.”

#### 4 Redemption for Taxation Reasons

Condition 7(c) (*Redemption for taxation reasons*) shall be modified so that, following the occurrence of any taxation event listed in paragraph (i)(C) thereof, the substitution procedure set out in paragraph (ii) thereof shall apply but paragraph (iv)(B) shall not apply in respect of the Notes in such circumstance.

#### 5 Mortgaged Property

The last sentence of Condition 3(a) shall be deleted in its entirety and replaced with the following:

“The assets over which the security referred to above are created by the Issuer in relation to the Notes, including the Charged Assets and the contractual rights over which the Managers’ Security is created, is herein referred to as “**Mortgaged Property**”.”

#### 6 Security

##### 6.1 Noteholders’ Security

Pursuant to the Trust Deed in relation to the Series, for all moneys and other liabilities payable or owed by the Issuer in relation to the Series (save in respect of any Managers’ Claim), the Issuer with full title guarantee and as continuing security will:

- (a) except to the extent assigned by way of security pursuant to (b) below, charge by way of first fixed charge in favour of the Trustee for itself and as trustee for the Enforcement Agent and the Noteholders, the Charged Assets including all sums and/or assets received or receivable under the Loan Notes, and all rights in respect thereof or relating thereto whether or not against third parties and any account in which any Charged Assets relating to the Notes may be deposited from time to time or by which any such Charged Assets may be represented from time to time, in each case together with the debts represented thereby and all related interests and all proceeds of such Charged Assets;
- (b) assign by way of security in favour of the Trustee for itself and as trustee for the Enforcement Agent and the Noteholders, all of its rights, title and interest in, to and under the Loan Notes (including, without limitation, its rights, title and interest in respect of all moneys and/or assets derived therefrom and held by or on behalf of the Issuer);
- (c) assign by way of security in favour of the Trustee for itself and as trustee for the Enforcement Agent and the Noteholders, all its rights, title and interest in, to and under the Agency Agreement and the Custodial Services Agreement (including, without limitation, its rights, title and interest in respect of all moneys and/or assets then or thereafter held by the Principal Paying Agent and/or the Custodian and/or the Redemption Agent in respect of such Series whether for the purpose of payment of principal, premium (if any) and/or interest (if any) in respect of the Notes or otherwise in relation to the Notes to the Noteholders, or otherwise held by the Principal Paying Agent and/or the Custodian and/or the Redemption Agent on behalf of the Issuer) and the debts represented thereby;
- (d) assign by way of security in favour of the Trustee for itself and as trustee for the Enforcement Agent and the Noteholders, all its rights, title and interest in, to and under the Loan Notes Purchase Agreement except to the extent included in the Managers’ Security (as defined in the Supplemental Trust Deed);

- (e) assign by way of security in favour of the Trustee for itself and as trustee for the Enforcement Agent and the Noteholders all its rights, title and interest in, to and under any of its bank accounts in respect of the Notes and the debts represented thereby (excluding, for the avoidance of doubt, the Issuer's bank accounts in its country of incorporation or elsewhere containing the paid up ordinary share capital and any transaction fees of the Issuer, and any interest accrued thereon, in each case); and
- (f) assigns by way of security in favour of the Trustee for itself and as trustee for the Noteholders all its rights, title and interest in, to and under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (a) to (e) above,

such assignments and charges, together, the “**Noteholders' Security**”.

## 6.2 **Managers' Security**

Pursuant to the Trust Deed in relation to the Notes, for any Managers' Claim, the Issuer with full title guarantee and as continuing security will:

- (a) assign by way of security in favour of the Managers' Trustee, for itself and as trustee for the Enforcement Agent and each Manager, the Issuer's rights, title and interest under the Loan Notes Purchase Agreement other than the Issuer's right to acquire the Loan Notes arising thereunder;
- (b) charge in favour of the Managers' Trustee, for itself and as trustee for the Enforcement Agent and each Manager, by way of first fixed charge the proceeds of, income from and sums arising from the enforcement of any claim under the Loan Notes Purchase Agreement, except for any claim of the Issuer in relation to its right to acquire the Loan Notes; and
- (c) assign by way of security in favour of the Managers' Trustee, for itself and as trustee for each Manager, the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (a) and (b) above,

such assignments and charges, together, the “**Managers' Security**”.

The Managers' Security is granted as continuing security in respect of any claim a Manager may have (a “**Managers' Claim**”) against the Issuer under the Subscription Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Loan Notes, the Loan Notes Issuer and/or the Loan Notes Documents prepared by the Loan Notes Issuer in respect of the Loan Notes.

No Noteholder shall have any interest in the Managers' Security. The Managers' Security shall become enforceable upon a Managers' Claim being made. Upon the Managers' Security becoming enforceable the Noteholders' Security shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.

Each Manager (when acting in such capacity) is not permitted to take any action against the Loan Notes Issuer nor to enforce any claim that the Issuer may have against the Loan Notes Issuer under the Loan Notes and/or the Loan Notes Purchase Agreement or otherwise whether before, upon, or after the Managers' Security becoming enforceable. The Managers must rely on similar (but not identical) rights to those of the Noteholders, including a right of consultation and agreement with the Issuer (or the Enforcement Agent acting as agent of the Issuer) in relation to any such action or the enforcement

of any such claim and/or a right to remove the Managers' Trustee, in each case in accordance with the provisions of the Trust Deed in relation to the Notes.

Each Manager, in respect of the Managers' Security, is subject to limited recourse provisions equivalent to those set out in Condition 3(h) (*Limited recourse*) and Condition 12 (*Enforcement*) in respect of the Mortgaged Property, in accordance with the provisions of the Subscription Agreement and the Trust Deed in relation to the Notes.

The assignment by way of security in favour of the Managers' Trustee of the Issuer's right under the Loan Notes Purchase Agreement to acquire the Loan Notes, and the first fixed charge in favour of the Managers' Trustee of all proceeds from, income from and sums arising from enforcement of any claim under the Loan Notes Purchase Agreement but only if such claim relates to the Issuer's right to acquire the Loan Notes, shall form part of the Managers' Mortgaged Property.

In respect of the application of the proceeds of realisation or enforcement of the Managers' Security, the proceeds shall be held on trust and applied:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Managers' Trustee or any Appointee in preparing and executing the trusts under the Trust Deed (including any taxes required to be paid, the costs of realising any such security and the Managers' Trustee's remuneration) insofar as the same relate to the Managers' Security;
- (ii) secondly, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Enforcement Agent in acting as Enforcement Agent of the Issuer in respect of the Managers' Security under the terms of the Trust Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and the Enforcement Agent's remuneration);
- (iii) thirdly, in meeting any Managers' Claim (as defined above); and
- (iv) fourthly, in payment of the balance (if any) to the Issuer.

## 7 Enforcement

Condition 12 (*Enforcement*) shall be deleted in its entirety and replaced with the following:

“At any time after the Notes or any of them shall have become due and repayable and have not been repaid and/or upon any Managers' Claim being made, the Trustee or the Managers' Trustee (as applicable) may, at its discretion and without notice, institute such proceedings (or take any other step or action) against the Issuer as it may think fit to enforce repayment thereof together with accrued interest (if any) and to enforce the provisions of the Notes and the Trust Deed, and subject always to the Enforcement Restriction (as defined below), but it shall not be bound to institute any such proceedings (or take any other step or action) unless:

- (a) in the case of the Trustee, it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding (in which event it shall be obliged so to act, subject as provided in Condition 11 (*Events of Default*)) and shall have been indemnified and/or secured and/or prefunded to its satisfaction;
- (b) in the case of the Managers' Trustee, it shall have been so directed in writing by the Managers and shall have been indemnified and/or secured and/or prefunded to its satisfaction.

If the Noteholders' Security and/or the Managers' Security has become enforceable, the Enforcement Agent shall, if directed by the Issuer as directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth of the principal amount of the Notes then outstanding:

- (i) take such steps or actions or make such filings or claims as specified in the relevant Extraordinary Resolution or request, as applicable, to pursue the rights and claims of the Issuer in respect of the Loan Notes (subject to their terms) to the extent reasonably practicable so to do; or
- (ii) arrange for and administer the sale of the Loan Notes,

provided that the Enforcement Agent shall not be obliged to take any action which it is directed to take under this Condition 12 (*Enforcement*) until it has been indemnified and/or secured and/or prefunded as to its costs and expenses in so acting to its satisfaction.

The Enforcement Agent shall, if a Managers' Claim is made, take such steps or actions or make such filings or claims as the Managers may direct in writing to pursue the rights and claims of the Issuer under the Loan Notes Purchase Agreement (including making any indemnity claim thereunder) in order to satisfy such Managers' Claim, provided that the Enforcement Agent shall not be obliged to take any action under this Condition 12 (*Enforcement*) until it has been indemnified and/or secured and/or prefunded to its satisfaction by the Managers or any of them as to its costs and expenses in so acting.

The Enforcement Agent acting in such capacity shall be subject to the transfer restrictions applicable to the Loan Notes in relation to any disposal of the Loan Notes. The Enforcement Agent shall not, and shall not be required to, dispose of the Loan Notes where such disposal would violate any such transfer restrictions.

Without prejudice and subject to the other provisions of this Condition 12, in no circumstances shall the Trustee or, as the case may be, the Managers' Trustee be permitted when acting in its capacity as trustee for the Noteholders, or, as the case may be, the Managers, nor shall the Noteholders or the Managers (when acting in their respective capacities) be permitted, to take any action against the Loan Notes Issuer or enforce any claim that the Issuer may have against the Loan Notes Issuer under the Loan Notes and/or the Loan Notes Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable (the "**Enforcement Restriction**").

In acting as the Issuer's agent for the purpose of this Condition 12, the Enforcement Agent shall be permitted to take all such actions as would have been permitted to be taken by the Trustee upon the Noteholders' Security becoming enforceable (save where restricted as a matter of law), disregarding for such purpose, the Enforcement Restriction that would otherwise have applied in respect of the Trustee.

After realising the security which has become enforceable and distributing the net proceeds in accordance with Condition 3 (*Security*) (in the case of the Noteholders' Security) and paragraph 6.2 below (in the case of the Managers' Security), the obligations of the Issuer with respect to the Noteholders or the Managers in respect of the Notes, the Subscription Agreement, the Agency Agreement and the Custodial Services Agreement shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished.

In particular, none of the Trustee, the Managers' Trustee, the Enforcement Agent, the Principal Paying Agent, the Custodian, the Agent Bank, the Redemption Agent, the Calculation Agent, the Determination Agent, the Managers or any Noteholder shall be entitled in respect thereof to petition or to take any other steps for the insolvency, winding-up or dissolution of the Issuer or the appointment of an examiner in respect of the Issuer nor shall any of them have any claim in respect of the Notes for any other Series."

## 8 Limited Recourse

Condition 3(h)(i) (*Limited recourse*) shall be deleted in its entirety and replaced with the following:

“All payments to be made by the Issuer hereunder in respect of the Notes will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee or the Enforcement Agent in respect of the Noteholders’ Security;”

In particular, but without limitation, none of the Noteholders shall be entitled to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer to recover any Shortfall.

## 9 Notices

Upon receipt by the Issuer of any notice from the Loan Notes Issuer pursuant to the conditions of the Loan Notes, the Issuer shall cause to be published a copy of each such notice to the Noteholders in accordance with Condition 16 (*Notices*).

## 10 Meetings of Noteholders

Condition 17 (*Meetings of Noteholders; Modification, Waiver and Substitution*) shall be amended by adding the following paragraphs at the end thereof:

“The Issuer may exercise any rights in its capacity as holder of, or party to an agreement comprised in, the Mortgaged Property pursuant to the consent of the Trustee or the authority of an Extraordinary Resolution of the Noteholders and, if such direction is given, the Issuer will act only in accordance with such directions (as more specifically set out in the Trust Deed). In particular, the Issuer will not attend or vote at any meeting of holders of the Loan Notes (if applicable), or give any consent or notification or make any declaration in relation to the Loan Notes, unless it shall have been so requested by the Trustee or by any Extraordinary Resolution of the Noteholders.

In addition, the Issuer shall, if so directed in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders (in each case, a “**Noteholder Direction**”) (subject in each case to its being indemnified to its satisfaction), exercise any rights in its capacity as holder of the Loan Notes (including to direct the trustee in respect of the Loan Notes to enforce the terms of the Loan Notes as contemplated thereby) or its right under the Loan Notes Purchase Agreement to acquire the Loan Notes in accordance with such direction (as more specifically set out in the Trust Deed).

At any time after the security for the Notes has become enforceable, the Enforcement Agent shall, if the Issuer is directed to do so by any Noteholder Direction (subject in each case to the Enforcement Agent being indemnified and/or secured to its satisfaction), exercise on behalf of the Issuer as the Issuer’s agent any rights of the Issuer in the Issuer’s capacity as holder of the Loan Notes (including to direct the trustee in respect of the Loan Notes to enforce the terms of the Loan Notes as contemplated thereby) or the Issuer’s right under the Loan Notes Purchase Agreement to acquire the Loan Notes and the Enforcement Agent will act only in accordance with any Noteholder Direction (as more specifically set out in the Trust Deed).

Without prejudice to the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other secured parties, nor shall the Noteholders and the other secured parties (when acting in their respective capacities) be permitted, to take any action against the Loan Notes Issuer or enforce any claim that the Issuer may have against the Loan Notes Issuer under the Loan Notes or the Loan Notes Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable.”

## 11 Purchase, exchange or retirement of the Notes by the Issuer

Condition 9 shall not apply in respect of the Notes and the Issuer may purchase, exchange or retire the Notes on the following terms:

- (a) The Issuer may, provided that no Event of Default has occurred and is continuing, at any time make an offer to purchase the Notes for cash consideration (at any price) or to receive the Notes for cancellation (an “**Aquarius Tender Offer**”) or to exchange the Notes for non-cash assets (an “**Aquarius Exchange Offer**”) (in each case, whether in the open market, by private treaty or tender offer). Any Aquarius Tender Offer or Aquarius Exchange Offer may only be made on a limited recourse basis and upon terms that will ensure that after any such purchase, cancellation or exchange of Notes, the aggregate principal amount of Notes outstanding will be the same as the aggregate principal amount of Loan Notes outstanding. The Issuer shall not make an Aquarius Tender Offer or an Aquarius Exchange Offer (A) other than in the case of the Issuer receiving Notes for cancellation, without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the Aquarius Tender Offer or the Aquarius Exchange Offer and (B) without first being satisfied that its costs and expenses in connection with the same will be met, and subject to Moody’s and/or S&P, as the case may be (or any other applicable rating agency), being notified of the same and, in the case of S&P only, confirming that the then current rating of the Notes by S&P will not be adversely affected after the conclusion of any such Aquarius Tender Offer or Aquarius Exchange Offer.

Furthermore, any Aquarius Tender Offer or Aquarius Exchange Offer shall be subject to any terms and conditions required by the Trustee and shall, for as long as the Notes are listed on the official list of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, be in accordance with all applicable rules and regulations of the Irish Stock Exchange. The Issuer shall forthwith notify Moody’s and/or S&P, as the case may be (or any other applicable rating agency), if any Notes are purchased or exchanged pursuant to this provision.

- (b) If at any time the Loan Notes Issuer makes an offer to the Issuer to purchase the Loan Notes for cash consideration or to receive the Loan Notes for cancellation (a “**Tender Offer**”) or for non-cash assets (an “**Exchange Offer**”), then the Issuer shall not accept such Tender Offer or Exchange Offer, and the Trustee shall not be permitted to release the Noteholders’ Security created over the Charged Assets pursuant to the Trust Deed, other than in accordance with paragraphs (a) and (d) below.
- (c) Subject to the requirements of paragraph (a) above, the Issuer shall make an Aquarius Tender Offer or, as the case may be, an Aquarius Exchange Offer, upon the occurrence of a Tender Offer or, as the case may be, an Exchange Offer unless (other than in the case of the Issuer receiving Notes for cancellation) in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.
- (d) For the purposes of any Aquarius Tender Offer or Aquarius Exchange Offer, whether or not relating to any Tender Offer or Exchange Offer, the Trustee shall not release the Noteholders’ Security created over the Charged Assets pursuant to the Trust Deed except that it may release the Charged Assets to the extent that after such release and taking into account any purchase, exchange or cancellation of Notes pursuant to any Aquarius Tender Offer or Aquarius Exchange Offer, the aggregate principal amount of the Loan Notes outstanding will be the same as the aggregate principal amount of Notes outstanding. To the extent that such Aquarius Tender Offer or Aquarius Exchange Offer relates to any Tender Offer or, as the case may be, Exchange Offer, following the release of such security the Issuer shall accept (or procure the acceptance of) such Tender Offer or Exchange Offer in respect of the Charged Assets so released.

- (e) All Notes purchased in accordance with these conditions shall be cancelled in accordance with the provisions of Condition 7(j) (*Cancellation*).
- (f) Any failure by the Issuer to make a payment or delivery due in connection with any Aquarius Tender Offer or Aquarius Exchange Offer shall constitute a default in payment in respect of the Notes for the purposes of Condition 11(a) (*Events of Default*).



## MANAGERS' INTERESTS

### Subscription Agreement

Subject to the terms and conditions contained in the subscription agreement (the “**Subscription Agreement**”) with BNP Paribas and Barclays Bank PLC (the “**Managers**”) with respect to the Notes, the Issuer has agreed to sell to the Managers, and the Managers have jointly and severally agreed to purchase from the Issuer, the Notes.

The Subscription Agreement provides that the Managers' obligations are subject to certain conditions precedent. The Subscription Agreement also entitles the Managers to terminate the Subscription Agreement in certain circumstances prior to the issue and subscription of the Notes. If the right to terminate the Subscription Agreement is exercised by the Managers, any previous purported purchase or subscription of the Notes will be deemed not to have been made. The Issuer has agreed to pay the Managers certain commissions and meet certain expenses in relation to the issue of the Notes. The Issuer has agreed to indemnify the several Managers against certain liabilities or to contribute to payments that the Managers may be required to make in respect of those liabilities.

### Relationships and Other Matters

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Some of the Managers and their affiliates have provided from time to time, and may in the future provide, various financial advisory, investment banking and commercial banking services for the Issuer, for which they have received or will receive customary fees, commissions and reimbursement of expenses and they expect to provide these services to the Issuer in the future, for which they expect to receive customary fees and commissions.

In addition, in the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the Issuer. Certain of the Managers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby, or securities of its affiliates. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

The business address of BNP Paribas is 10 Harewood Avenue, London NW1 6AA and the business address of Barclays Bank PLC is 5 The North Colonnade, Canary Wharf, London E14 4BB.

## GENERAL INFORMATION

### 1 General

The Issuer is a public limited company, incorporated in and organized under the laws of Ireland, with its registered office at 4 Floor, 25-28 Adelaide Road, Dublin 2, and registered as Aquarius + Investments plc under no. 350538. The Issuer has been established as a special purpose vehicle with its principal activities being the issuance of financial instruments, the acquisition of financial assets and the entering into of other legally binding arrangements. The Issuer has a share capital in the total amount of €100,000,000, divided into 100,000,000 ordinary shares with a par value of €1 each. The Issuer has issued 40,000 shares, all of which are fully paid, and does not have any preference shares or profit sharing certificates outstanding. The Issuer does not dispose of either authorised or conditional share capital. The Issuer did not pay any dividends during the last five years. The directors of the Issuer are Adrian Masterson of 4 Floor, 25-28 Adelaide Road, Dublin 2, Ireland and Stephen Hodgins of 6 Upper Prince Edward Terrace Blackrock, co. Dublin, both of whom are Irish citizens.

### 2 Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes to be issued by it. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer dated 24 July 2013.

### 3 Use of Proceeds

The net proceeds of the issue of the Notes is expected to be approximately €209,729,000 and will be applied by the Issuer in payment under the Loan Notes Purchase Agreement on the Issue Date for the purchase of the Further Loan Notes.

### 4 Expenses

The estimate of the total expenses relating to admission to trading of the Notes on the Irish Stock Exchange's Global Exchange Market is €2,791.20.

### 5 Interests of Natural and Legal Persons involved in the Offer

Save as discussed in the section entitled "Subscription and Sale" in this Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### 6 Reporting

The Issuer will not provide any post-issuance transaction information regarding the securities to be admitted to trading and the performance of the Loan Notes, except if required by any applicable laws and regulations.

### 7 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

## **8 Financial Statements**

The Issuer issued its annual accounts for the first time in 2002, covering the period from the date of its incorporation to 31 August 2002. Other than annual accounts, the Issuer is not currently required to produce any other financial statements. The Issuer has produced financial statements for the periods ending 31 August 2011 and ending 31 August 2012 which are incorporated by reference in this Prospectus.

## **9 Material Adverse Change in relation to the Issuer**

Save as disclosed in this Prospectus, there has been no material adverse change in the financial trading position or prospects of the Issuer since 31 August 2012 (being the date of its most recently audited financial statements).

## **10 Statutory Auditors of the Issuer**

PricewaterhouseCoopers have audited and rendered unqualified audit reports on the financial statements of the Issuer referred to in paragraph 8 (Financial Statements) above. PricewaterhouseCoopers are members of the Institute of Chartered Accountants in Ireland and have their offices at One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

PricewaterhouseCoopers have given and have not withdrawn their consent to the inclusion in this Prospectus of their report in the form and content in which it is included by reference herein and have authorised the contents of such report for the purposes of Paragraph 9.1 of Annex VII to the Prospectus Regulation.

## **11 Documents on Display**

From the date hereof and for so long as any Notes are outstanding copies of the following documents (in English) will be available for inspection in physical format and obtainable free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Paying Agent for the time being in the Grand Duchy of Luxembourg:

- (a) the constitutional documents of the Issuer;
- (b) this Prospectus (including the Loan Notes Documents);
- (c) the published audited annual financial statements of the Issuer for the periods ending 31 August 2011 and ending 31 August 2012;
- (d) the Trust Deed;
- (e) the Agency Agreement; and
- (f) the Custodial Services Agreement.

## **12 Information concerning the Loan Notes Issuer**

Information about the Loan Notes Issuer is contained in the Loan Notes Base Prospectus and the Loan Notes Base Prospectus Supplement set out respectively in Appendix B and Appendix C to this Prospectus. Certain of the Loan Notes Issuer's hybrid/debt securities are listed on the SIX Swiss Exchange.

**APPENDIX A**  
**FURTHER LOAN NOTES FINAL TERMS**

*The page numbering in the Further Loan Notes Final Terms set out in this Appendix A to this Prospectus follows the page numbering in the Further Loan Notes Final Terms and not the page numbering in this Prospectus.*

## Final Terms of the EUR212,478,000 Fixed-to-Floating Dated Subordinated Notes

Final Terms dated 24 July 2013

### Zurich Insurance Company Ltd (the "Issuer")

Issue of EUR212,478,000 Fixed-to-Floating Dated Subordinated Notes due 2043 to be consolidated and form a single series with the Issuer's EUR787,522,000 Fixed-to-Floating Dated Subordinated Notes due 2043 issued on 4 March 2013 under the USD18,000,000,000

### Euro Medium Term Note Programme Part A Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Amended and Restated Trust Deed dated 15 May 2012 (the "**Trust Deed**"). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Trust Deed.

<b>1</b>	Issuer:	Zurich Insurance Company Ltd
<b>2</b>	(i) Series Number:	28
	(ii) Tranche Number:	2
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	The Notes will be consolidated and form a single Series with the Issuer's EUR787,522,000 Fixed-to-Floating Dated Subordinated Notes due 2043 issued on 4 March 2013 (the " <b>Original Notes</b> ") on the Issue Date
<b>3</b>	Specified Currency or Currencies:	Euros (" <b>EUR</b> ")
<b>4</b>	Aggregate Nominal Amount of Notes:	
	(i) Series:	EUR1,000,000,000
	(ii) Tranche:	EUR212,478,000
<b>5</b>	Issue Price:	99.119 per cent. of the Aggregate Nominal Amount of the Tranche plus 144 days accrued interest (EUR16.77 per Calculation Amount) on the Aggregate Nominal Amount of the Tranche from, and including 4 March 2013 to, but excluding the Issue Date
<b>6</b>	Specified Denominations:	EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 (or equivalent). No Notes in definitive form will be issued with a denomination above EUR 199,000
	Calculation Amount:	EUR 1,000
<b>7</b>	(i) Issue Date:	26 July 2013
	(ii) Interest Commencement	4 March 2013

	Date:	
<b>8</b>	Maturity Date:	The Interest Payment Date falling in October 2043
<b>9</b>	(i) Interest Basis:	4.25 per cent. Fixed Rate up to (but excluding) the First Call Date (as defined below) and thereafter 3 month EURIBOR + 3.45 per cent. (further particulars specified below)
	(ii) Optional Deferral of interest for Subordinated Notes:	Applicable
	(iii) Optional Deferral limited to 5 years upon loss of regulatory capital credit:	No
	(iv) Solvency Deferral of interest for Subordinated Notes:	Applicable
	(v) Relevant Entity:	ZIC and/or ZIG
	(vi) Arrears of Interest payable at any time at Issuer's Election:	Yes in whole or in part
<b>10</b>	Redemption/Payment Basis:	Redemption at par
<b>11</b>	Change of Interest or Redemption/Payment Basis:	See paragraphs 17 and 18 below
<b>12</b>	Put/Call Options:	Issuer Call (further particulars specified below)
<b>13</b>	(i) Status of the Notes:	Subordinated
	(ii) Date of Board approval for issuance of Notes obtained:	13 February 2013
<b>14</b>	Method of distribution:	Non-syndicated
<b>15</b>	Condition 7(d)(viii) to apply:	Yes
<b>16</b>	Initial Permitted Non-Qualifying Lender:	Aquarius + Investments plc

#### **Provisions Relating to Interest (if any) Payable**

<b>17</b>	Fixed Rate Note Provisions	Applicable
	(i) Rate(s) of Interest:	4.25 per cent. per annum payable annually in arrear from (and including) the Interest Commencement Date until (but excluding) the First Call Date
	(ii) Interest Payment Date(s):	2 October in each year commencing on 2 October 2013 until and including the First Call Date (short first coupon)

	(iii)	Fixed Coupon Amount(s):	EUR42.50 per Calculation Amount
	(iv)	Broken Amount(s):	EUR24.68 per Calculation Amount payable on the Interest Payment Date falling on 2 October 2013
	(v)	Day Count Fraction:	Actual/Actual (ICMA)
	(vi)	Determination Dates:	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
<b>18</b>		Floating Rate Note Provisions	Applicable
	(i)	Interest Period(s):	Floating rate interest will be payable in respect of the period from and including the First Call Date to but excluding the First Interest Payment Date and thereafter for each period from and including an Interest Payment Date to but excluding the next Interest Payment Date (all as defined below)
	(ii)	Specified Interest Payment Dates:	2 January, 2 April, 2 July and 2 October of each year from and including the First Interest Payment Date to and including the Maturity Date
	(iii)	First Interest Payment Date:	2 January 2024
	(iv)	Business Day Convention:	Modified Following Business Day Convention
	(v)	Additional Business Centre(s):	Not Applicable
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	Not Applicable
	(viii)	Screen Rate Determination:	
		– Reference Rate:	3 month EURIBOR
		– Interest Determination Date(s):	The second day on which the TARGET System is open prior to the first day of each Interest Period
		– Relevant Screen Page:	Reuters EURIBOR01

(ix)	ISDA Determination:	
	– Floating Rate Option:	Not Applicable
	– Designated Maturity:	Not Applicable
	– Reset Date:	Not Applicable
(x)	Margin(s):	+3.45 per cent. per annum
(xi)	Minimum Rate of Interest:	Not Applicable
(xii)	Maximum Rate of Interest:	Not Applicable
(xiii)	Day Count Fraction:	Actual / 360
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Not Applicable
<b>19</b>	Zero Coupon Note Provisions	Not Applicable
<b>20</b>	Index-Linked Interest Note/other <i>variable-linked interest Note Provisions</i>	Not Applicable
<b>21</b>	Dual Currency Note Provisions	Not Applicable
<b>Provisions Relating to Redemption</b>		
<b>22</b>	Call Option	Applicable
(i)	Optional Redemption Date(s):	Callable on 2 October 2023 (the “ <b>First Call Date</b> ”) and any Interest Payment Date thereafter
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	EUR1,000 per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	Not Applicable
	(b) Maximum Redemption Amount:	Not Applicable
(iv)	Notice period:	Not less than 15 nor more than 30 days



(v)	Redemption of Subordinated Notes for Accounting Event:	Applicable at the Regular Redemption Price
(vi)	Initial Accounting Treatment Methodology:	liabilities
(vii)	Redemption of Subordinated Notes for Capital Event:	Applicable at the Regular Redemption Price
(viii)	Redemption of Subordinated Notes for Regulatory Event:	Applicable at the Regular Redemption Price
(ix)	Regular Redemption Price:	EUR 1,000 per Calculation Amount
(x)	Special Redemption Price:	Not Applicable
<b>23</b>	Put Option	Not Applicable
<b>24</b>	Final Redemption Amount of each Note:	EUR 1,000 per Calculation Amount
<b>25</b>	Early Redemption Amount:  Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	EUR 1,000 per Calculation Amount
<b>26</b>	Instalment Amount:	Not Applicable
<b>27</b>	Maturity Date of Dated Subordinated Notes extended upon a Solvency Event in accordance with Condition 6(a):	Yes

### **General Provisions Applicable to the Notes**

<b>28</b>	Form of Notes:	Individual Registered Notes
<b>29</b>	New Global Note Form:	No
<b>30</b>	Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c):	Not Applicable
<b>31</b>	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
<b>32</b>	Details relating to Partly Paid	Not Applicable

Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

**33** Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: Not Applicable

**34** Consolidation provisions:

(i) Listed Swiss Franc Note: No

(ii) Identity of Principal Paying Agent and other Paying Agents: Not Applicable

**35** Relevant Jurisdictions: Not Applicable

**36** Other final terms: Not Applicable

**37** Restricted Note (Condition 10(j) shall apply): Yes

(i) Restricted Note Minimum Denomination Amount: EUR 100,000

(ii) Restricted Note Transfer Amount: EUR 100,000

(iii) Number of Qualifying Banks: 5

(iv) Number of Permitted Non-Qualifying Lenders: 1

### **Distribution**

**38** (i) If syndicated, names of Managers: Not Applicable

(ii) Stabilising Manager(s) (if any): Not Applicable

**39** If non-syndicated, name of Dealer: Not Applicable

**40** US Selling Restrictions: TEFRA not applicable

**41** Additional selling restrictions: Not Applicable

### **Responsibility**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

Signed on behalf of the Issuer:

By \_\_\_\_\_

By \_\_\_\_\_

Duly authorised

Duly authorised

## PART B — OTHER INFORMATION

- 1** Listing and Admission to Trading
- (i) Listing: None
- (ii) Admission to trading: Not Applicable
- 2** Ratings
- The Notes to be issued have been rated:
- S & P: **A**
- Moody's: **A2**
- 3** Interests of Natural and Legal Persons Involved in the Issue
- Not Applicable
- 4** Operational Information
- (i) ISIN Code: Not Applicable
- (ii) Common Code: Not Applicable
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): Not Applicable – The Notes are not being held in a clearing system
- (iv) Delivery: Delivery free of payment
- Names and addresses of initial Paying Agent(s): Citibank, N.A.  
Citigroup Centre  
Canada Square  
Canary Wharf  
E14 5LB
- (v) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: No

**APPENDIX B**  
**LOAN NOTES BASE PROSPECTUS**

*The page numbering in the Loan Notes Base Prospectus set out in this Appendix B to this Prospectus follows the page numbering in the Loan Notes Base Prospectus and not the page numbering in this Prospectus.*

## BASE PROSPECTUS

17 May 2013

Zurich Finance (Luxembourg) S.A.  
(incorporated with limited liability in the Grand Duchy of Luxembourg)

Zurich Finance (UK) plc  
(incorporated with limited liability in England and Wales)

Zurich Insurance Company Ltd  
(incorporated with limited liability in Switzerland)

irrevocably guaranteed, in the case of Notes issued by Zurich Finance (Luxembourg) S.A.  
and Zurich Finance (UK) plc by

**Zurich Insurance Company Ltd**  
**USD 18,000,000,000**  
**Euro Medium Term Note Programme**



Under this USD18,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (UK) plc (“**ZF (UK)**”) and Zurich Insurance Company Ltd (“**ZIC**”, and together with ZF (Luxembourg) and ZF (UK) the “**Issuers**” and each, an “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (each as defined below). Issues of Notes under the Programme by ZF (Luxembourg) and ZF (UK) will be guaranteed as provided herein as to payments of principal, interest and additional amounts by ZIC (the “**Guarantee**” and the “**Guarantor**” respectively).

The Notes may be issued on a continuous basis to one or more of the Dealers below and any additional Dealer appointed under the Programme from time to time, which appointments may be for a specific issue or on an ongoing basis (each a “**Dealer**” and together the “**Dealers**”). References in this Base Prospectus to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes. References in this Base Prospectus to the “**relevant Issuer**” shall, in the case of any issue of Notes, be to the Issuer which has agreed to issue such Notes.

This document constitutes three base prospectuses (the “**Base Prospectus**”) for the purpose of Article 5.4 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and the applicable Final Terms (as defined on page 2) shall constitute Final Terms for the purpose of the Prospectus Directive.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of the Prospectus Directive as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of notes (“**Notes**”) issued under the Programme described in this Base Prospectus during the period of twelve months after the date of approval hereof. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange (the “**Official List**”). The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC). Pursuant to Article 7(7) of the Luxembourg law dated July 10, 2005 on prospectuses for securities, by approving this Base Prospectus, the CSSF assumes no responsibility as to the economic and financial opportuneness of the transactions contemplated under this Base Prospectus or the quality or the solvency of the Issuers or the Guarantor.

With respect to a particular Series (as defined on page 2) of Notes issued in registered form (“**Registered Notes**”), the Registered Notes of each Tranche (as defined on page 2) of such Series will be sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”). Such Notes will be represented by a global note in registered form, without interest coupons (a “**Reg. S Global Note**”), which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). If a Reg. S Global Note is held under the New Safekeeping Structure (the “**NSS**”), the Reg. S Global Note will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream, Luxembourg. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**distribution compliance period**”), beneficial interests in the Reg. S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), and may not be held otherwise than through Euroclear and Clearstream, Luxembourg. Registered Notes in individual form will be issued in exchange for interests in the Regulation S Global Note upon compliance with the procedures for exchange as described in “Form of the Notes and the Capital Notes” below in the limited circumstances described in the applicable Final Terms. Registered Notes in individual registered form from the date of issue may also be sold outside the United States in reliance on Regulation S under the U.S. Securities Act.

Each Tranche of Notes issued in bearer form (“**Bearer Notes**”) (other than a Tranche of Listed Swiss Franc Notes, as to which see “Form of the Notes and the Capital Notes”) will initially be represented by a temporary bearer global Note (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”, together with the Temporary Global Note, the “**Bearer Global Notes**”) which if the Bearer Global Notes are not intended to be issued in new global note (“**New Global Note**”, or “**NGN**”) form, will be deposited on or around the relevant issue date with a common depository (the “**Common Depository**”) for Euroclear and Clearstream Luxembourg, and if the Bearer Global Notes are intended to be issued in NGN form, will be deposited on or around the relevant issue date with a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or Definitive Bearer Notes upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury Regulations and thereafter any Permanent Global Note may be exchanged for Definitive Bearer Notes in the circumstances described in the applicable Final Terms, in each case in accordance with the procedures described in “Form of the Notes and the Capital Notes” below.

**Arranger**  
**Citigroup**

**Dealers**  
**Barclays**  
**BofA Merrill Lynch**  
**Commerzbank**  
**Credit Suisse**  
**Goldman Sachs International**  
**J.P. Morgan**  
**The Royal Bank of Scotland**

**BNP PARIBAS**  
**Citigroup**  
**Crédit Agricole CIB**  
**Deutsche Bank**  
**HSBC**  
**Morgan Stanley**  
**UBS Investment Bank**

Each of the Issuers accepts responsibility for the information contained in this Base Prospectus, and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Information contained in this Base Prospectus under the heading “*Zurich Insurance Company Ltd*” has been supplied by ZIC, which accepts responsibility for the accuracy of such information. ZF (Luxembourg) and ZF (UK) do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Finance (Luxembourg) S.A.*” has been supplied by ZF (Luxembourg), which, together with ZIC, accepts responsibility for the accuracy of such information. ZF (UK) does not accept responsibility for the accuracy of such information, nor has it independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Finance (UK) plc*” has been supplied by ZF (UK), which, together with ZIC, accepts responsibility for the accuracy of such information. ZF (Luxembourg) does not accept responsibility for the accuracy of such information, nor has it independently verified any such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference” below). This Base Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on different issue dates.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in the final terms (the “**applicable Final Terms**” or “**relevant Final Terms**”) which, with respect to Notes to be listed on a stock exchange, will be delivered to the stock exchange on or before the date of issue of the Notes of such Tranche. Notes that will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system may also be issued pursuant to the Programme by any of the Issuers.

No representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law the Dealers and the Trustee disclaim all responsibility or liability which they might otherwise have as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by any Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of each Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Trustee or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by any Issuer, the Trustee or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer). Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of any Issuer, the Trustee or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme. Investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include bearer Notes that are subject to U.S. tax law requirements. Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in accordance with Regulation S under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act (see “Subscription and

Sale” below) and hedging transactions involving the Notes may not be conducted unless in compliance with the U.S. Securities Act.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Trustee and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Trustee or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made in compliance with applicable law. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom and Japan (see “Subscription and Sale” below).

The Programme has been assigned credit ratings by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”) of A+ for Senior Notes, A+ for dated and undated Subordinated Notes and A for Capital Notes. The Programme has been assigned credit ratings by Moody’s Investors Service Ltd. (“**Moody’s**”) of A1 for Senior Notes, A2 for Subordinated Notes, A3 for Capital Notes (where Trigger Event (as such term is defined in Condition 3(b) of the Terms and Conditions of the Capital Notes) is not specified as being applicable in the relevant Final Terms) and Baal (where Trigger Event is specified as being applicable in the relevant Final Terms). Both Standard & Poor’s and Moody’s are established in the EEA and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies (the “**CRA Regulation**”). A list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) in accordance with the CRA Regulation can be found on its website, though this is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Standard & Poor’s and Moody’s are included in this list as at the date of this Base Prospectus.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

All references in this document to a “**Member State**” are references to a Member State of the European Economic Area, “**U.S. dollars**”, “**U.S.\$**”, “**\$**”, “**USD**” and “**U.S. cent**” refer to the currency of the United States of America, those to “**euro**”, “**€**” and “**EUR**” are to the single currency adopted by those states participating in the European Monetary Union from time to time, those to “**Sterling**”, “**GBP**” and “**£**” refer to the currency of the United Kingdom, those to “**Swiss Francs**”, “**SFr**” and “**CHF**” refer to the currency of Switzerland. References in this document to “**Listed Swiss Franc Notes**” are to Notes denominated or payable in Swiss Francs and listed on the SIX Swiss Exchange.

To ensure compliance with U.S. Treasury Department Circular 230, noteholders are hereby notified that: (A) any discussion of U.S. Federal Tax issues in this Base Prospectus is not intended or written to be relied upon, and cannot be relied upon, by Noteholders for the purpose of avoiding penalties that may be imposed on noteholders under the U.S. Internal Revenue Code of 1986 (the “**Code**”), (B) such discussion is included herein by the issuers in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuers and the Dealers of the transactions or matters addressed herein and (C) Noteholders should seek tax advice based on their particular circumstances from an independent tax advisor.



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**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) IN THE RELEVANT FINAL TERMS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVERALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## RISK FACTORS

*Prospective investors should carefully consider all of the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference before deciding to invest in any Notes or Capital Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this Risk Factors section of the Base Prospectus. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.*

*Each of the Issuers and ZIC believe that the following factors may affect their ability to fulfil its obligations under Notes or Capital Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and none of the Issuers nor ZIC are in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes or Capital Notes issued under the Programme are also described below. None of the Issuers or ZIC represent that the statements below regarding the risks of holding any Notes or Capital Notes are exhaustive.*

- **Factors that may affect the Issuers' ability to comply with their obligations under or in connection with Notes or Capital Notes issued under the Programme or of ZIC to comply with its obligations under its Guarantee**

### *Reliance of investors on the creditworthiness of the relevant Issuer and ZIC (as applicable)*

The Notes, the Capital Notes and the Guarantee (as applicable) will constitute unsecured, senior or subordinated obligations of the relevant Issuer and ZIC (as applicable), respectively, and will rank equally among themselves and equally with all other unsecured, senior or subordinated obligations of the relevant Issuer and ZIC (as applicable), respectively. The Capital Notes will constitute unsecured, subordinated obligations of ZIC and rank equally with any subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of the Capital Notes. It should be noted that mandatory provisions of law may operate such that certain other obligations of the relevant Issuer or ZIC must be satisfied in preference to their obligations under the Notes, the Capital Notes and the Guarantee (as applicable). In particular, ZIC is subject to certain insurance and financial services laws, regulations and policies which include provisions whereby certain assets are tied to obligations towards the policyholders and cannot be used for settlement of obligations to other creditors. This could affect its position under the Notes, the Capital Notes or the Guarantee (as applicable) either in its capacity as Guarantor or as Issuer (as applicable).

Noteholders are dependent solely on the ability of the relevant Issuer and ZIC to comply with its obligations under the Notes, the Capital Notes and the Guarantee (as applicable), and do not have the benefit of collateral or other forms of credit support.

Any actual or perceived deterioration in the financial condition, results of operations or cashflow of the relevant Issuer or ZIC could have a negative effect on the ability of the relevant Issuer or ZIC, as the case may be, to comply with its obligations under the Notes, the Capital Notes and the Guarantee (as applicable). In addition, investment in the Notes or the Capital Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the relevant Issuer and ZIC (as applicable) may adversely affect the market value of the Notes or the Capital Notes.

### *Ratings*

The financial strength and issuer credit ratings assigned to ZIC and other Zurich Insurance Group entities may be changed, suspended or withdrawn at any time by rating agencies. A downgrade, or the potential for such a downgrade, to the financial strength or issuer credit ratings assigned to ZIC or other Zurich Insurance Group entities may have an adverse effect on their competitive and financial position. Rating agencies look at a range of rating factors. For example large losses due to natural catastrophes could weaken the financial position of ZIC or other Zurich Insurance Group entities and trigger a downgrade of their respective ratings. The Zurich Insurance Group has issued debt through various entities. Ultimately the credit ratings of these debt issues are linked to the financial strength ratings of ZIC. Changes in credit ratings may affect both the ability to obtain new financing and the cost of financing.

***The businesses, earnings and financial condition of ZIC and its operating subsidiaries are subject to the global economic and financial market environment and thus vulnerable to any slowdown or potential disruptions.***

The performance of ZIC and its operating subsidiaries has been and will continue to be influenced by the economic conditions of the countries in which it operates. Global growth is divided between recovering emerging market economies and moribund developed economies. Currently, geopolitical risks are elevated and many economies, particularly in the peripheral Eurozone as well as the UK, are fragile. In addition, although the global financial system is recovering from the difficulties which first manifested themselves in August 2007 and culminated with the bankruptcy filing by Lehman Brothers in September 2008, a new dislocation of the financial system or the economy cannot be ruled out. Such conditions could lead to unprecedented levels of illiquidity, resulting in the development of significant problems for a number of the world's largest countries, corporate and financial institutions many of which are customers and counterparties of ZIC and its operating subsidiaries in the ordinary course of business.

The performance of ZIC and its operating subsidiaries may be affected by economic conditions impacting sovereign states including euro-zone member states. For example, the financial problems currently experienced by certain euro-zone member states may lead to the issue of significant volumes of debt, which may in turn reduce demand for debt issued by financial institutions and corporate borrowers. This could adversely affect the Zurich Insurance Group's access to the debt capital markets and may increase its funding costs, having a negative impact on its earnings and financial condition.

Volatility and disruption of capital and credit markets (including that arising by reason of the financial difficulties experienced by sovereign states described above) could affect the availability and cost of credit for financial institutions, including ZIC and its operating subsidiaries, and could continue to impact the credit quality of customers and counterparties. Such conditions, alone or in combination with regulatory changes or actions of other market participants, may cause ZIC and its operating subsidiaries to experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, write-downs and impairment charges, lower profitability or the incurrence of losses.

In addition, ZIC and its operating subsidiaries will continue to be exposed to the risk of loss if major counterparty financial institutions fail or are otherwise unable to meet their obligations. Their performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which may no longer be accurate given the unprecedented market disruption and general economic instability. The precise nature of all the risks and uncertainties faced by ZIC and its operating subsidiaries as a result of current economic conditions cannot be predicted and many of these risks are outside their control.

***The actual or perceived failure or worsening credit risk of ZIC's and its subsidiaries' counterparties has adversely affected and could continue to adversely affect ZIC and its subsidiaries.***

ZIC's and its subsidiaries' ability to engage in routine financial transactions has been and will continue to be adversely affected by the actual or perceived failure or worsening credit of its counterparties, including other financial institutions and corporate borrowers. ZIC and its subsidiaries have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, other insurance companies and other institutional clients. As a result, defaults by, or even the perceived lack of creditworthiness of or concerns about financial services institutions or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by ZIC and its subsidiaries or by other institutions. Many of these transactions expose ZIC and its subsidiaries to credit risk in the event of default of ZIC's and its subsidiaries' counterparty or client. In addition, ZIC's and its subsidiaries' credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to ZIC and its subsidiaries, which is most likely to occur during periods of illiquidity and depressed asset valuations. Any such losses could have a material adverse effect on ZIC's and its subsidiaries' results of operations and financial condition.

***ZIC's and its subsidiaries' earnings and financial condition have been, and their future earnings and financial condition are likely to continue to be, affected by depressed asset valuations resulting from poor market conditions.***

Financial markets are subject to significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity, as exemplified by events affecting asset backed collateralised debt obligations ("CDOs"), the U.S. sub-prime residential mortgage market, the leveraged loan market and peripheral Eurozone debt markets. In dislocated markets, hedging and other risk management strategies have proven not to be as effective as they are in normal market conditions due in part to the decreasing credit quality of hedge counterparties, including monoline and other insurance companies and credit derivative product companies. Moreover, market volatility and illiquidity makes it difficult to value certain of ZIC's and its subsidiaries' exposures. Valuations in future periods, reflecting, among other things, then-prevailing market conditions and changes in the credit ratings of certain of ZIC's and its subsidiaries' assets, may result in significant changes in the fair values of ZIC's and its subsidiaries' exposures, even in respect of exposures for which the ZIC Group has previously recorded write-downs. In addition, the value ultimately realised by ZIC and its subsidiaries may be materially different from the current or estimated fair value. Any of these factors could require ZIC and its subsidiaries to recognise further significant write-downs or realise increased impairment charges, any of which may adversely affect their capital position, their financial condition and their results of operations.

***Factors such as consumer spending, business investment, government oversight, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of ZIC's and its subsidiaries' business.***

In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for ZIC's and its subsidiaries' financial and insurance products could be adversely affected. In addition, ZIC and its subsidiaries may experience an elevated incidence of claims and lapses or surrenders of policies. The ZIC Group's policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on its business, results of operations and financial condition. Because insurance assets serve as collateral for policyholder liabilities in most regulated jurisdictions, even limited losses on invested assets can have a severe adverse impact on the value and/or on cash flows available to service liabilities related to issued senior or subordinated debt of ZIC and its subsidiaries. In addition, regulators

or courts may block, confiscate or otherwise influence the status of ZIC and its subsidiaries' invested assets, impairing their ability to service their obligations.

The current crisis has also raised the possibility of future legislative and regulatory actions in addition to the enactment of the Emergency Economic Stabilization Act of 2008 (the "EESA") that could further impact ZIC and its subsidiaries' business. ZIC and its subsidiaries cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on ZIC and its subsidiaries' business, results of operations and financial condition.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several other areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. For example, in 2010 President Obama signed into law the Dodd-Frank Act which effects sweeping reform of the financial services industries. While the Dodd-Frank Act does not implement the federal regulation of insurance, it does establish federal measures that will impact the U.S. insurance business and pre-empt certain state insurance measures. It may then lay the foundation for ultimately establishing some form of federal regulation of insurance in the future. Although various forms of direct federal regulation of insurance have been proposed in the past, there is at present no proposal before Congress to regulate the business of insurance at the federal level, and it is highly unlikely that any "optional federal charter" legislation will be introduced in the coming year. Nevertheless, the experience of the financial markets and certain financial institutions in recent years increases the possibility that the U.S. federal government may seek to heighten its oversight of insurers, including possibly through a federal system of insurance regulation and/or through the expansion of the oversight responsibilities and mandates of existing or newly created regulatory bodies. ZIC and its subsidiaries cannot predict whether such proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on the ZIC Group's business, financial condition or results of operations.

***The ZIC Group has credit exposure arising from OTC derivative contracts***

The ZIC Group has credit exposure arising from over-the-counter derivative contracts which are carried at fair value. The fair value of these over-the-counter derivatives, as well as the ZIC Group's exposure to the risk of default by the underlying counterparties, depends on the valuation and the perceived credit risk of the instrument against which protection has been bought.

***The ZIC Group relies on third-party vendors for technology and information systems that are critical to its business.***

The ZIC Group depends significantly on the effective operation of its technology and information systems. A substantial part of its technology and information systems are provided by third-party vendors. Accordingly, if any key vendor were unable to continue to provide its products or services or keep pace with advancements in technology, the ZIC Group may suffer operational impairments which could have a material adverse effect on its business, financial condition or results of operations. In addition, any failure on the part of any key vendor to protect the personal information of the ZIC Group's customers, claimants or employees could interrupt or damage the ZIC Group's operations, harm its reputation, lead to a loss in competitive advantage or to lawsuits or regulatory actions or otherwise have a material adverse effect on its business, financial condition or results of operations.

***If the ZIC Group experiences difficulties with data security, its ability to conduct its business could be negatively impacted.***

The ZIC Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Computer viruses, hackers, employee misconduct or other external hazards could expose its data systems to security breaches. As part of its business, the ZIC Group routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. Although the ZIC Group believes that it has effective controls in place to secure transmission capabilities with third-party vendors and others with whom it does business, there always remains a residual risk of a data security incident.

The residual risks, and increased regulatory requirements regarding data security, could potentially expose the ZIC Group to data loss, monetary or reputational damages or significant increased compliance costs. As a result, the ZIC Group's ability to conduct its business might be adversely affected.

***Risk of insufficiency of loss reserves***

ZIC and its operating subsidiaries maintain loss reserves for their insurance and run-off reinsurance businesses to cover estimated liability for losses and loss adjustment expenses for reported and unreported losses incurred as of the end of each accounting period. Such loss reserves may prove to be inadequate to cover actual losses and benefits experience. Additional losses, including losses arising from changes in the interpretation of legal liability, or the assessment of damages caused by judicial decisions or changes in law, the type of magnitude of which cannot be foreseen, may emerge in the future.

Loss reserves are established such that the provision for losses and benefits represents an amount that is believed to be greater than the mathematically expected amount that will be required to ultimately settle all claims incurred as of the fiscal year-end and interim statements. As such the provision makes allowance for identified sensitivities underlying the reserve estimates. These

estimates are based on actuarial and statistical projections, at a given time, of facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability or other changes in legal precedents and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of loss reserves.

For some types of losses, most significantly long tail exposures under workers' compensation and general liability contracts, as well as losses related to asbestos and environmental pollution, it has been necessary, and may over time be necessary, to increase estimated ultimate loss and, therefore, the related loss reserves. Consequently, actual losses, benefits and related expenses paid may differ from estimates reflected in the loss reserves in the financial statements of ZIC or its operating subsidiaries.

Any insufficiencies in or need to increase loss reserves maintained by ZIC or its operating subsidiaries for future claims on insurance obligations underwritten by ZIC or its operating subsidiaries could have a material adverse effect on the financial condition, results of operations and cash flows of ZIC or its operating subsidiaries (as applicable).

### ***Life insurance:***

#### *Biometric Risks*

Assumptions about mortality and morbidity used in pricing products are based on information provided from company and industry statistics and market information. These assumptions relate to the ZIC Group's best estimate of the experience in each year. However a global pandemic, such as avian flu or swine flu, may produce an increase in mortality or morbidity in excess of its assumptions. This will lead to the number of claims being paid being greater than planned. These types of events are considered when assessing and reviewing a variety of financial covers, such as reinsurance.

Life expectancies continue to increase in the world's developed areas. If mortality estimates, including rates of future mortality improvement, prove to understate such rates of improvement, liabilities to policyholders in connection with pensions and annuity products will increase at a rate faster than expected. This may lead to significant unexpected losses.

#### *Surrenders*

Surrenders of deferred annuities and life insurance products can result in losses and decreased revenues if surrender levels differ significantly from assumed levels. Surrenders could require the ZIC Group to dispose of assets earlier than planned, possibly at a loss. Moreover, surrenders require faster amortisation of the ZIC Group's deferred acquisition costs associated with the original sale of a product, thus reducing its net income.

#### *Options and guarantees*

Some life products contain options and guarantees for policyholders, such as guaranteed interest rates and surrender guarantees. These vary by product and country in which they have been written. Adverse financial market movements may result in increases in the value of these guarantees. The long term characteristic of the liabilities, especially for annuity and pension products, represent a potential risk for the ZIC Group's life business. Asset liability management follows this risk closely, and financial hedges are introduced when deemed necessary. Similarly, a significant increase in yield curves might encourage financially aware policyholders to lapse their contracts on guaranteed terms, resulting in significant losses and decreased revenues.

#### *Variable Life Insurance Contracts with Guarantees or Stable Value Protection Features*

Certain of the ZIC Group's subsidiaries sell variable life insurance products under which premiums are deposited into underlying funds selected by the policyholder and the policyholder bears the full investment risk associated with such funds. However, certain variable life insurance products have also been sold which contain guarantees or stable value protection features for which ZIC Group subsidiaries have recorded additional policyholder benefits.

Variable life insurance products that contain guarantees arise primarily in the subsidiary Zurich American Life Insurance Company ("ZALICO") (formerly known as Kemper Investors Life Insurance Company or KILICO) which in the past wrote variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. After 2001, ZALICO no longer issued these contracts. The ZIC Group has a dynamic hedging strategy to manage its economic exposure and reduce the volatility associated with this closed book of variable annuity contracts. New life insurance products developed with financial guarantees are subject to review and approval by the ZIC Group-level product approval committee.

Variable life insurance products that contain stable value protection features ("SVPs") are designed to amortize on a quarterly basis the investment gains and losses of the investment portfolios underlying these contracts, which are owned by banks (Bank Owned Life Insurance or BOLI) and other companies (Company Owned Life Insurance or COLI). Premiums received from policyholders under these policies are invested in separate account portfolios. Throughout the life of the policies, policyholders are entitled, in addition to mortality cover, to the tax-exempt investment returns of such separate account portfolios. The policies are long duration contracts providing charges and benefits over a policy life that can be greater than 45 years. When SVPs form part of these investment portfolios, they reduce the volatility of the policyholders' investment returns. In the event that a policy is surrendered which has a positive SVP value, the policyholder would be entitled to recover such SVP value as well as the market value of the underlying investments. Certain policy features as well as the applicable tax regulations provide disincentives for

surrender. The ZIC Group monitors the risk of surrender on an ongoing basis and considers the likelihood of surrender as an input factor to the model to determine the fair value of the SVPs. The fair value of the derivative liability recognized in respect of the SVPs, was nil and USD 52 million as of December 31, 2012 and 2011, respectively. The notional SVP derived value was USD 93 million and USD 523 million as of December 31, 2012 and 2011, respectively, representing the total loss before surrender charges in the unlikely event that all policies would have been surrendered on those dates.

#### ***Inability of reinsurers to meet their obligations and unavailability of reinsurance***

ZIC and its operating subsidiaries transfer exposure to certain risks to others through reinsurance arrangements. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Although periodic reviews of the financial statements and reputations of the relevant reinsurers are conducted, such reinsurers may become financially unable or unwilling to honour their commitments by the time they are called upon to pay amounts due, which may not occur for many years. In addition, reinsurance may prove inadequate to protect against losses or may become unavailable in the future at commercially reasonable rates.

#### ***Competition risks***

ZIC and its operating subsidiaries participate in a highly competitive market. Developments in this market and increased competition may adversely affect the financial position of ZIC and its operating subsidiaries. Continued consolidation of the insurance industry could lead to market-wide price reductions resulting in pressure on margins. Such competitive pressure may lead to adjustments to policy terms, withdrawal from or reduction of capacity in certain business lines or reduction of prices resulting in decreased margins.

#### ***Foreign currency exchange risks***

Due to the international nature of their businesses, ZIC and its subsidiaries are exposed to various currency exchange risks which can affect liquidity, profit and loss, shareholders' equity, capital position and the overall economic enterprise value. ZIC's consolidated financial statements are reported in U.S. Dollars, but its assets, liabilities, income and expenses are denominated in many currencies with significant amounts notably in Euro, Swiss Franc, British Pound, and U.S. Dollars. Therefore, fluctuations in exchange rates between currencies could impact the consolidated financial condition, results of operations and cash flow from year to year of ZIC.

#### ***Regulatory investigations, litigation and settlement risks***

ZIC and its subsidiaries are, and may in the future be, involved in civil litigation and/or regulatory investigations, the outcomes of which cannot be predicted.

The initiation of litigation proceedings and/or regulatory investigations and their outcomes may adversely affect the financial position of ZIC and its subsidiaries.

For further details see "Zurich Insurance Company Ltd — Legal Proceedings and Regulatory Investigations" below.

#### ***Regulatory or legal changes***

Insurance laws, regulations and policies currently governing ZIC and its operating subsidiaries may change at any time in ways which may adversely affect their business. Furthermore, it is not possible to predict the timing or form of any future regulatory initiatives. ZIC and its subsidiaries are subject to applicable government regulation in each of the jurisdictions in which business is conducted. The insurance industry is also affected by political, judicial and other legal developments which have at times in the past resulted in new or expanded theories of liability.

Satisfaction of increased regulatory requirements could require additional regulatory capital, involve additional expense or otherwise adversely affect ZIC's financial position and that of its operating subsidiaries.

In Switzerland, risk based capital requirements are regulated in accordance with the Swiss Solvency Test (the "SST"). Swiss insurers are required to build up sufficient risk bearing capital in order to cover their target capital under the SST since January 1, 2011.

On November 25, 2009 the Directive on Solvency II ("Solvency II") was adopted in the European Union. Solvency II aims to reflect the latest developments in prudential supervision, actuarial methods and risk management. It includes economic risk-based solvency requirements, which are more risk sensitive and more sophisticated than Solvency I. Solvency II capital requirements also consider all material risks and their interactions. As part of the risk management system, all EU/EEA insurance and reinsurance entities will be required to conduct their own risk and solvency assessment, including the assessment of the overall solvency needs reflecting their specific risk profiles. As part of the disclosure provisions, companies will have to publicly report their solvency and financial condition. As a result of these new regulations, there is a risk that the effect of the measures finally

adopted could be adverse for ZIC and its subsidiaries, including but not limited to potentially requiring a significant increase in the amount of capital required to support its business.

According to Solvency II, the European Commission may, after consultation with the European Insurance and Occupational Pensions Authority (the “**EIOPA**”), adopt a decision on equivalence of third-country systems. In its first assessments, EIOPA has positively assessed the equivalency of the Swiss system with Solvency II. However, the criteria established for such assessments may still be subject to changes and in the event of such criteria being changed, EIOPA is committed to revise its assessment as to the equivalency of the Swiss system with Solvency II. The European Commission has announced that once such review is complete, it will make its decisions on equivalence, which is likely to occur during 2013.

In the U.S., new reserving standards are being developed by the U.S. National Association of Insurance Commissioners (“**NAIC**”) that would replace current statutory reserving practices for life insurance products and variable annuities with a principles-based approach to valuation of capital and reserves. In March 2010, the U.S. enacted comprehensive health care reforms including various health insurance and related provisions that will be phased in over the next eight years. U.S. administrative agencies are developing specific regulations for the implementation of these provisions. The potential impact of these developments on the U.S. health and related insurance markets remains unclear. In addition, there is increasing legislative and regulatory activity in light of the recent financial crisis which may adversely impact bank and non-bank financial companies’ business activities and investment activities. These actions include, but are not limited to, the enactment of the “Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010” (the “**Dodd-Frank Act**”), which imposes a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and requires the Securities and Exchange Commission (“**SEC**”) and other federal agencies to propose regulations that provide more stringent guidelines and oversight of bank and non-bank financial companies. The Dodd-Frank Act also established the Financial Services Oversight Council (“**FSOC**”) which is authorised to designate certain non-bank financial companies (including insurance companies) as “systemically significant” and thus subject to oversight by the Board of Governors of the Federal Reserve. The Dodd-Frank Act also established a Federal Insurance Office (“**FIO**”) and contains provisions that pre-empt certain state insurance laws. In addition, FSOC and FIO are authorised to study and monitor the insurance industry and its regulation in the U.S. and report their findings to Congress. These efforts may result in calls for a more active federal role in insurance regulation. Currently, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several other areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. For example, in 2010 President Obama signed into law the Dodd-Frank Act which effects sweeping reform of the financial services industries. While the Dodd-Frank Act does not implement the federal regulation of insurance, it does establish federal measures that will impact the U.S. insurance business and pre-empt certain state insurance measures. It may then lay the foundation for ultimately establishing some form of federal regulation of insurance in the future. Other initiatives may be brought before the Congress in the future which seek to regulate the business of insurance at the federal level. ZIC and its subsidiaries cannot predict whether any such proposals will be made (and, if made, whether such proposals will be adopted) nor can they predict what impact, if any, such proposals or, if enacted, such laws, could have on the ZIC Group’s business, financial condition or results of operations.

Recent financial and economic uncertainties have provoked a number of proposals for reform and additional regulation of financial institutions and markets from regulators, governments, groups of governments (such as the G20) and others. While these proposals address the issue of systemic risk and the perceived gaps in the regulatory framework which might have contributed to the financial crisis, inter alia, possible changes in accounting standards (including fair value accounting), management remuneration structures, internal control systems, capital and liquidity requirements and branch structures. They seek greater cooperation and information exchange between regulatory supervisors internationally and improved supervision of multinational groups. These proposals were initially primarily focused on the banking sector but they have expanded to the insurance sector and many are still under development. Accordingly, the financial consequences for the insurance sector generally (and particularly for ZIC and its subsidiaries) of the implementation of all or some of such proposals cannot yet be determined.

Regarding the insurance sector, the International Association of Insurance Supervisors (the “**IAIS**”), pursuant to the mandate given to IAIS by the Financial Stability Board, in May of 2012 published the methodology to identify systemically relevant insurers. It is anticipated that the list of globally systemically important insurers (“**GSII**”)s will be released in mid-2013. Likewise, in October, 2012, the IAIS released the “proposed” policy measures that will be applied to firms identified as GSIIIs. Those policy measures will include enhanced supervision by the national supervisor, the need to engage in recovery and resolution planning and the application of higher loss absorption measures (i.e. capital) to systemically relevant activities. In addition, the IAIS is working on a project to introduce a common framework for the supervision of internationally active insurance groups – regardless of their status as GSIIIs.

The above proposals, if adopted, could require additional regulatory capital of ZIC and its subsidiaries, require changes to the way in which ZIC and its subsidiaries carry on their business, lead to additional expense or otherwise adversely affect ZIC’s financial position and that of its operating subsidiaries.



### *Natural and man-made catastrophe risks*

General insurance companies frequently experience losses from catastrophes. Catastrophes may have a material adverse effect on the financial condition, results of operations and cash flows of ZIC and its operating subsidiaries.

Natural catastrophes include, but are not limited to hurricanes, floods, windstorms, tidal waves, earthquakes, tornadoes, fires, severe hail and severe winter weather, and are inherently unpredictable in terms of both their occurrence and severity. Catastrophes can also be man-made, such as terrorist attacks, explosions, fires and oil spills. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

### *Deferred tax assets and liabilities*

Deferred tax assets and liabilities of ZIC and its subsidiaries are recorded in the tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. The recoverability of the deferred tax asset of each taxpayer is based on its ability to utilize the deferred tax asset over a reasonable period of time. ZIC or the relevant subsidiary may not be able to fully recover its deferred tax assets in each jurisdiction.

### *Tax authorities may dispute submitted tax returns of the Zurich Insurance Group, which could adversely affect it.*

Tax authorities throughout the world who examine submitted tax returns may dispute the basis of computation and propose adjustments which may lead to additional tax charges, interest and/or penalties.

### *Tax liabilities of the Zurich Insurance Group may be adversely affected by proposed and recently adopted U.S. tax legislation.*

In 2008, the Staff of the U.S. Senate Committee on Finance released a discussion draft ("**Discussion Draft**") which proposes to disallow deductions for certain reinsurance premiums paid by U.S. property and casualty insurance companies to non-U.S. affiliates of those companies. The Discussion Draft proposal is similar to a measure that was introduced in the U.S. House of Representatives in 2008 and 2009 by Representative Neal. A similar proposal was also contained in President Obama's Fiscal Year 2013 Revenue Proposals, with some modifications. If enacted in any of its present forms, the measure could adversely affect the Zurich Insurance Group and certain of its affiliates by increasing materially their U.S. tax liability. In addition, if the measure were enacted it may be necessary for the Zurich Insurance Group and certain of its affiliates to take steps to alter the manner in which they conduct their business. Whether the measure will be enacted in any of its present forms or in another form cannot be predicted. Moreover, until the terms of any final measure are known, the impact on the Zurich Insurance Group and certain of its affiliates of the measure and any business restructuring in response to such a measure cannot be evaluated.

Tax legislation enacted pursuant to the Foreign Account Tax Compliance Act provisions (commonly referred to as "**FATCA**") of the Hiring Incentives to Restore Employment Act of 2010 imposes a 30 per cent U.S. withholding tax on certain "pass-thru" payments by foreign financial institutions. Treasury Regulations provide that the withholding tax will not be imposed on pass-thru payments by foreign financial institutions until after December 31, 2016 at the earliest. Treasury Regulations generally provide that foreign insurance companies that issue insurance or annuities contracts with a cash value component would be considered "foreign financial institutions".

Although the application of the FATCA withholding tax to pass-thru payments by foreign financial institutions is still uncertain, as the scope of these rules are still being determined by U.S. tax authorities, it is possible that in some circumstances payments by ZF (Luxembourg), ZF (UK) or ZIC on Notes or Capital Notes after December 31, 2016 to persons failing to meet certain FATCA reporting or certification requirements may be treated as "pass-thru payments" subject to U.S. withholding tax, for a Note or Capital Note issued or deemed issued after the later of (a) January 1, 2014 or (b) the date that is six months after the date on which final U.S. Treasury Regulations defining the term "foreign passthru payment" are filed with the Federal Register or, if the Note or Capital Note is treated as equity for U.S. tax purposes, whenever issued. Under the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes and the Terms and Conditions of the Capital Notes, no Additional Amounts are due with respect to a tax imposed under the FATCA rules. Holders of Notes and Capital Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes and the Capital Notes.

### *Adequacy of resources to meet pension obligations*

There is a risk that provisions for present and/or future obligations to employees under the ZIC Group's pension plans and other defined post-employment benefits may not be adequate. In assessing the ZIC Group's liability for defined benefit pension plans and other post-employment plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, expected long-term rates of return on plan assets, future salary increases, future pension increases, increases in long-term healthcare costs and inflation rates. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in variability of the ZIC Group's pension funding requirements and pension income or expense recorded in future years. In addition, pension related regulations are subject to review and change in many countries in which the ZIC Group operates. Further

changes to actuarial assumptions or capital requirements in jurisdictions in which the ZIC Group has employees, and other factors such as business restructuring, could adversely affect its ability to meet its pension funding obligations.

***Farmers Group, Inc.'s management fees for its services may drop significantly***

Farmers Group, Inc. provides non-claims related insurance management services for the Farmers Exchanges as their attorney-in-fact. Management fees earned by it are based upon the volume of gross premiums earned by the Farmers Exchanges, whose ability to continue writing insurance is dependent upon, *inter alia*, statutory surplus levels and price competition. Any deterioration in the volume of gross premiums earned by the Farmers Exchanges may therefore affect the level of management fees received by Farmers Group, Inc. for its management services.

- **Risks related to the structure of a particular issue of Notes and Capital Notes**

Set out below is a description of the most common risk factors related to the Notes or the Capital Notes:

***Notes and Capital Notes may not be a suitable investment for all investors***

A range of different Notes and Capital Notes may be issued under the Programme. A number of these Notes and Capital Notes may have features which contain particular risks for potential investors. Each potential investor in any Notes and Capital Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes and Capital Notes, the merits and risks of investing in the relevant Notes and Capital Notes and the information contained or incorporated by reference in this Base Prospectus, the applicable Final Terms or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and Capital Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes and Capital Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and Capital Notes and the applicable Final Terms, and be familiar with the behaviour of the financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***Notes or Capital Notes issued at a substantial discount***

The market values of securities issued at a substantial discount to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

***The Issuers' obligations under Subordinated Notes are subordinated***

The obligations of the relevant Issuer under Subordinated Notes will rank junior in priority of payment to the claims of Senior Creditors (as defined in Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes). Furthermore, the relevant Issuer shall, if so specified in the Final Terms, have the option to defer payments of interest on Subordinated Notes when such interest has accrued in respect of an Interest Period which ends on an Optional Interest Payment Date (as such term is defined in Condition 4(d) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) and shall, if so specified in the Final Terms, also be required to defer payment of interest on Subordinated Notes if a "Solvency Event" (as such term is defined in Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) has occurred and is continuing. Certain Arrears of Interest may only be payable on Subordinated Notes following the prior written approval of Swiss Financial Market Supervisory Authority FINMA ("FINMA") or any Successor Authority as more fully set out in Condition 4 (d) (iii) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

***The relevant Issuer's obligations in respect of Dated Subordinated Notes and Dated Capital Notes to repay the Final Redemption Amount on the Maturity Date may be extended indefinitely***

If the Maturity Date of a Dated Subordinated Note or Dated Capital Note occurs when a "Solvency Event" (as defined in Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes and in Condition 3 of the Terms and Conditions of the Capital Notes) has occurred and is continuing, then such Maturity Date will, if so specified in the applicable Final Terms, be extended until such event no longer exists, unless prior approval by FINMA or any Successor Authority is given for repayment.

***The Senior ZIC Guarantee and the Subordinated ZIC Guarantee are limited to the Guarantee Amount***

The maximum liability of the Guarantor under the Senior ZIC Guarantee and the Subordinated ZIC Guarantee shall not exceed in aggregate the Guarantee Amount as defined in the relevant Guarantee.

***Notes or Capital Notes Redeemable at the relevant Issuer's Option***

Notes or Capital Notes which are redeemable at the option of the relevant Issuer (because of the inclusion of a call option in the applicable Final Terms, for tax related reasons or as a result of the occurrence of an Accounting Event (in relation to Subordinated Notes and Capital Notes), a Capital Event (in relation to Subordinated Notes and Capital Notes) or a Regulatory Event (in relation to Subordinated Notes and Capital Notes) provided in the Final Terms or for other specified reasons) may be redeemed at times when prevailing interest rates may be lower than the rate borne by such Notes or Capital Notes. As a result, the holders of such Notes or Capital Notes may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as that of the relevant Notes or Capital Notes. In addition, the relevant Issuer's ability to redeem such Notes or Capital Notes at its option is likely to affect the market value of such Notes or Capital Notes. In particular, as the redemption date approaches, the market value of such Notes generally will not rise substantially above the redemption price because of the optional redemption feature. Subordinated Notes and Capital Notes contain provisions which allow the Issuer to substitute or vary the terms of such security for Qualifying Securities upon the occurrence of a Capital Event, an Accounting Event, a Regulatory Event or for tax related reasons as applicable.

***Fixed/Floating Rate Notes or Capital Notes***

Notes or Capital Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate as set out in the applicable Final Terms. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes or Capital Notes. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes or Capital Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes or Capital Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes or Capital Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Notes or Capital Notes.

- **Additional risks related specifically to Capital Notes**

***ZIC's obligations under the Capital Notes are deeply subordinated***

The rights and claims of the holders of the Capital Notes will be subordinated to the claims of all Senior Creditors (as defined in Condition 2 of the Terms and Conditions of the Capital Notes), in that the claims of the holders of Capital Notes rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC after the claims of any Senior Creditors of ZIC, *pari passu* with the claims of the holders of any subordinated obligations of ZIC which rank or are expressed to rank *pari passu* with the claims of the Noteholders and prior to the claims of the holders of all classes of issued shares in the share capital of ZIC.

Furthermore, the claims of holders of Capital Notes and relative Coupons rank, save as otherwise specified in the applicable Final Terms, on a voluntary or involuntary insolvency, winding up, liquidation, dissolution or other similar proceedings of or against ZIC, junior to the claims of holders of any ZIC Subordinated Guarantee.

In the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC, there shall be payable on each Capital Note, subject to the subordination provisions set out above, an amount equal to the principal amount of each Capital Note with, unless otherwise specified in the applicable Final Terms, unpaid Deferred Interest (as defined in the Terms and Conditions of the Capital Notes) and interest which has accrued up to, but excluding, the date of repayment. Although the Capital Notes may pay a higher rate of interest than comparable Notes which are unsubordinated or which are subordinated but not as deeply subordinated as the Capital Notes, there is a significant risk that an investor in Capital Notes will lose all or some of its investment should ZIC become insolvent.

### ***Deferral or Cancellation of Interest***

- (A) If a Solvency Event has occurred and is continuing as at the relevant Determination Date (as defined in the Terms and Conditions of the Capital Notes), then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, ZIC shall (if the applicable Final Terms specifies a Solvency Event as being applicable and the Capital Note as being Cumulative in relation to a Solvency Event) defer or, (if the applicable Final Terms specifies a Solvency Event as being applicable and the Capital Note as being Non-Cumulative in relation to a Solvency Event) cancel, any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date and shall defer or, as applicable, cancel the relevant Solvency Shortfall (as defined in the Terms and Conditions of the Capital Notes) if, were ZIC to make payment of the relevant Interest Payment, a Solvency Event would, as at the date of such payment, occur, in any such case except that ZIC will not be required to defer or, as applicable, cancel such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has consented to such payment.
- (B) If a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, ZIC shall cancel the amount by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time.

If the applicable Final Terms so provide, ZIC may also elect to (if the applicable Final Terms specifies the Capital Note as being Cumulative with respect to such payment) defer or (if the applicable Final Terms specifies the Capital Note as being Non-Cumulative with respect to such payment) cancel, in whole or in part, any Interest Payment which is otherwise scheduled to be paid on an Optional Interest Payment Date by giving notice of such election to the Trustee, the Agent and the holders of the Capital Notes in accordance with Condition 13 of the Terms and Conditions of the Capital Notes.

In the case where a payment is specified as aforesaid as being Cumulative and the applicable Final Terms specify that Cash Settlement is applicable, ZIC may elect at any time to pay in cash in whole or in part any Deferred Interest. However, any outstanding Deferred Interest will become immediately due and payable in cash in full (or in the case where limb (iv) of the definition of APM Deferred Settlement Date (as defined in the Terms and Conditions of the Capital Notes) is specified as applying as part of the definition of Cash Deferred Settlement Date, on a proportionate basis) upon the Cash Deferred Settlement Date (as defined in the Terms and Conditions of the Capital Notes).

Notwithstanding the foregoing, Deferred Interest shall only be due and payable if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given (if such approval is required under Applicable Regulations at the relevant time).

In the case where a payment is specified as aforesaid as being Cumulative and the applicable Final Terms specify that APM Settlement is applicable or, as the case may be, applicable to Relevant Solvency Deferred Interest only, ZIC and ZIG may elect at any time to use their commercially reasonable efforts to satisfy in whole or in part any Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, utilising the APM (as defined in Condition 3(e) of the Capital Notes) and ZIC and ZIG shall use their commercially reasonable efforts to apply the APM to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, upon the APM Deferred Settlement Date.

Notwithstanding the foregoing, ZIC and ZIG will only be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, as aforesaid if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given.

Once ZIC and ZIG have become obliged to use their respective commercially reasonable efforts to operate the APM to settle any Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, ZIC and ZIG must continue to use their respective commercially reasonable efforts to raise sufficient proceeds from the operation of the APM for certain specified time periods following the relevant APM Deferred Settlement Date to the extent permitted under prevailing applicable regulatory criteria governing the Capital Notes. If, and to the extent that ZIC and/or ZIG have not issued Qualifying APM Securities within such time period outlined above, ZIC's obligation with respect to such Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, will be cancelled. In any case, Deferred Interest or, as the case may be, Relevant Solvency Deferred Interest, that has not been settled within the period of time specified in the Final Terms of any deferral will be cancelled.

### ***Use of the APM to satisfy Deferred Interest may be subject to restrictions***

Upon ZIC and ZIG becoming obliged to use their commercially reasonable efforts to settle Deferred Interest using the APM pursuant to Condition 3(e), ZIC and ZIG will use their commercially reasonable efforts to satisfy such Deferred Interest by way of Ordinary Share Settlement (as determined in the Terms and Conditions of the Capital Notes).

Subject as provided in Condition 3(e) of the Terms and Conditions of the Capital Notes, ZIC may only utilise the Ordinary Share Settlement to the extent that the number of Payment Shares (as defined in the Terms and Conditions of the Capital Notes) used for the purpose of the APM in any 12-month period does not exceed 2 per cent of ZIG's outstanding share capital.

## ***Perpetual Securities***

ZIC is under no obligation to redeem the Undated Capital Notes at any time and the holders of Undated Capital Notes have no right to call for their redemption. Redemption of Dated Capital Notes on their Maturity Date is subject to no Solvency Event occurring on the Maturity Date, as more fully explained in Condition 6(a).

### ***Redemption, Exchange Risk and Substitution***

The Capital Notes may, subject as provided in Condition 6 of the Capital Notes, be redeemed by ZIC at their Optional Redemption Amount together with any interest accrued to (but excluding) the relevant Optional Redemption Date and, if the Capital Notes are expressed to be Cumulative with respect to such payment (but not otherwise) any Deferred Interest which will be satisfied by operation of Condition 3(e) of the Terms and Conditions of the Capital Notes. In addition, the Capital Notes may be redeemed (i) for tax reasons or, if so specified in the applicable Final Terms, (ii) upon the occurrence of any of an Accounting Event, a Capital Event or a Regulatory Event prior to the first Optional Redemption Date in whole but not in part at any time. Upon the occurrence of the events in either of (i) or, if so specified in the applicable Final Terms, (ii) above, the Capital Notes may be substituted for, or their terms varied so that they remain, Qualifying Securities.

### ***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities which ZIC or any other member of the Zurich Insurance Group may issue and which may rank senior to, or *pari passu* with, the respective Capital Notes. The issue of any such securities may reduce the amount recoverable by holders of Capital Notes on a winding-up of ZIC and/or may increase the likelihood of a deferral of payments under the Capital Notes.

- **Risks related to the market generally**

### ***An active trading market may not develop for the Notes or Capital Notes***

The Notes or Capital Notes are a new issue of securities for which there is no trading market and one may never develop. If such a market were to develop, the Notes or Capital Notes could trade at prices which may be higher or lower than the initial offering price. Notes or Capital Notes issued with specific investment objectives or strategies will have a more limited trading market and may experience more price volatility. Prospective investors should be aware that, at the time they wish to sell their Notes or Capital Notes, there may be few or no investors willing to buy the Notes or Capital Notes.

### ***Exchange rates and exchange controls***

Notes or Capital Notes and/or coupon payments can be denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency and significant risks are entailed if such currency is other than the currency in which the prospective investor's financial activities are denominated. Such risks include the possibility of significant changes in the currency exchange rates and the risk of imposition or modification of foreign exchange controls by the relevant government. Depreciation of the currency in which a Note or Capital Note is denominated would result in a decrease in the effective yield of such Note or Capital Note and, in certain circumstances, could result in a loss to the investor.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal of, and premium, if any, or interest, if any, on a Note or Capital Note.

### ***Interest rate risks***

Investment in Fixed Rate Notes or Fixed Rate Capital Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes or Capital Notes.

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

One or more independent credit rating agencies may assign credit ratings to the Notes or Capital Notes. The ratings may not reflect the potential impact of all risks related to structure, market and other factors which may affect the value of the Notes or Capital Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***Tax consequences of holding the Notes or Capital Notes***

Potential investors should consider the tax consequences of investing in the Notes or Capital Notes and consult their tax advisers about their own tax situation.

- **Risks related to the Notes or Capital Notes generally**

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

## ***Modification***

The conditions of the Notes and the Capital Notes contain provisions for calling meetings of holders of Notes and Capital Notes to consider matters affecting their interests generally, including the modification of certain terms and conditions of the Notes. These provisions permit defined majorities to bind all holders of Notes and Capital Notes including holders of Notes and Capital Notes who did not attend or vote at the relevant meeting and holders of Notes and Capital Notes who voted in a manner contrary to the majority.

## ***EU Savings Directive***

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is 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, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at the rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also a number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures to the EU Savings Directive (either provision of information or transitional withholding, a withholding system in the case of Switzerland, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the Member State the details of the interest payments in lieu of the withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

If a payment were to be made or collected through a Member State, or a non-EU country or territory, which has opted for a withholding system, including Switzerland, and an amount of, or in respect of, tax were to be withheld from that payment then, in accordance with Condition 7 of the relevant Conditions, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note or Capital Note as a result of the imposition of such withholding tax. The relevant Issuer and the Guarantor undertake at Condition 11 of the relevant Conditions that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirement discussed above.

## ***Payment of additional amounts for Swiss withholding taxes may be null and void.***

Although the terms of the Notes and the Capital Notes provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Issuer or the Guarantor, as the case may be, shall, subject to certain exceptions, pay additional amounts or, in the case of Capital Notes, interest at a recalculated rate, so that the net amount received by the holders of the Notes shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such obligation may contravene Swiss legislation and be null and void and not enforceable in Switzerland.

## ***Proposed Amendment of the Swiss Withholding Tax Act***

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent on any payment of interest in respect of a Note or a Capital Note (including, as the case may be, payment under the Guarantee) to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would, pursuant to the Conditions, be obliged to pay additional amounts with respect to any Note or a Capital Note, or interest at a recalculated rate in respect of a Capital Note, as a result of the deduction or imposition of such withholding tax.

## ***Final Foreign Withholding Taxes in Switzerland***

On January 1, 2013, treaties on final withholding taxes of Switzerland with the United Kingdom and Austria entered into force (each a “**Contracting State**”). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*Abgeltungssteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items, all as defined in the treaties) deriving from assets, including the Notes or the Capital Notes or the Guarantee, as applicable, held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State or, (ii) if

certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. The flat-rate tax withheld substitutes the ordinary income tax on the respective capital gains and income items, in the Contracting State where the individual is tax resident. In order to avoid the withholding of the flat-rate tax by the Swiss paying agent, such individuals may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries, and negotiations are currently being conducted with Greece and Italy. If an amount of, or in respect of, such final withholding tax were to be deducted or withheld from a payment, neither the relevant Issuer, nor the Guarantor nor a paying agent nor any other person would pursuant to the Terms and Conditions of the Notes or the Capital Notes or the Guarantee be obliged to pay additional amounts with respect to any Notes or Capital Note, or interest at a recalculated rate in respect of a Capital Note, as a result of the deduction or imposition of such final withholding tax.

### ***Applicable Law***

The conditions of the Notes and the Capital Notes are governed by English law in effect as of the date of this Base Prospectus, save that the provisions relating to subordination in Notes which are Subordinated Notes will be governed by the law of the jurisdiction of incorporation of the Issuer of such Subordinated Notes and the provisions relating to subordination in the Capital Notes will be governed by the laws of Switzerland. The Guarantees by ZIC are governed by Swiss law and accordingly any dispute arising out of the Guarantees between the Guarantor and the Trustee, or the Guarantor and a Holder who is entitled to proceed against the Guarantor, shall fall exclusively within the courts of the City of Zurich, venue Zurich 1.

No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or Swiss law or administrative practice, respectively, after the date of this Base Prospectus.

### ***Denomination (secondary trading)***

Although Notes or Capital Notes which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum denomination of EUR 100,000 (or where the specified currency is not euro, its equivalent in the specified currency), or an integral multiple of EUR 1,000 (or where the specified currency is not euro, its equivalent in the specified currency) in excess thereof, it is possible that the Notes or Capital Notes may be traded in the clearing systems in amounts in excess of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof that are not integral multiples of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof. In such a case, should definitive Notes or Capital Notes be required to be printed, a holder who does not have an integral multiple of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes or Capital Notes unless and until such time as his holding becomes an integral multiple of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been filed with the CSSF and published and are available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), all in accordance with the Prospectus Directive, are incorporated by reference in, and form part of, this Base Prospectus:

- (a) (i) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of ZIC and its subsidiaries (collectively the "**ZIC Group**") (formerly known as Zurich Insurance Group) in respect of the years ended 2012 and 2011 (the consolidated income statements being set out on page 53 of each of its 2012 and 2011 annual reports; the consolidated statements of comprehensive income being set out on pages 54 to 55 of each of its 2012 and 2011 annual reports; the consolidated balance sheets being set out on pages 56 to 57 of each of its 2012 and 2011 annual reports; the consolidated statements of cash flows being set out on pages 58 to 59 of each of its 2012 and 2011 annual reports; the consolidated statements of changes in equity being set out on pages 60 to 61 of each of its 2012 and 2011 annual reports; the notes to the financial statements being set out on pages 62 to 165 and 62 to 167 respectively, of its 2012 and 2011 annual reports; and the auditors' report being set out on pages 166 to 167 and 168 to 169 respectively, of its 2012 and 2011 annual reports). The 2011 annual reports remain titled as Zurich Insurance Group; and
- (ii) the audited financial statements (including the auditors' report thereon and notes thereto) of ZIC, as included in the annual report mentioned in (i) above, in respect of the years ended 2012 and 2011 (the income statements being set out on page 171 and 173 respectively, of the 2012 and 2011 annual reports; the balance sheets being set out on pages 172 to 173 and 174 to 175 respectively, of the 2012 and 2011 annual reports; the notes to the financial statements being set out on pages 174 to 183 and 176 to 185 respectively, of the 2012 and 2011 annual reports; and the auditors' report being set out on pages 184 to 185 and 186 to 187 respectively, of the 2012 and 2011 annual reports).
- (b) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (UK) in respect of the years ended 2012 and 2011 (the auditors' report being set out on page 3 of each of its 2012 and 2011 annual reports; the profit and loss accounts being set out on page 4 of each of its 2012 and 2011 annual reports; the balance sheets being set out on page 5 of each of its 2012 and 2011 annual reports; and the notes to the financial statements being set out on pages 6 to 14 and 6 to 13 respectively, of the 2012 and 2011 annual reports).
- (c) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (Luxembourg) in respect of the years ended 2012 and 2011 (the auditors' report being set out on pages 4 to 5 of each of its 2012 and 2011 annual reports; the balance sheets being set out on page 6 to 9 and 6 respectively, of its 2012 and 2011 annual reports; the profit and loss accounts being set out on page 10 to 11 and 7 respectively, of its 2012 and 2011 annual reports; and the notes to the financial statements being set out on pages 12 to 19 and 8 to 14 respectively, of its 2012 and 2011 annual reports).
- (d) the terms and conditions set out on pages 32 to 67 (inclusive) and 68 to 102 (inclusive) of the base prospectus dated 15 May 2012 that was published in connection with the Programme under the headings "Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes" and "Terms and Conditions of the Capital Notes" respectively.

None of the Issuers is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**").

Each Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference. Requests for such documents should be directed to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) at their respective offices set out at the end of this Base Prospectus. In addition, such documents will be available free of charge from the principal office of the listing agent being Banque Internationale à Luxembourg (formerly Dexia Banque Internationale à Luxembourg S.A.) (the "**Luxembourg Listing Agent**") for Notes listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange.



<b>Information</b>	<b>Source</b>
<b>Documents incorporated by reference of the ZIC Group</b>	
Consolidated Income Statement for the year ended December 31, 2012 .....	2012 Annual Report page 53
Consolidated Income Statement for the year ended December 31, 2011 .....	2011 Annual Report page 53
Consolidated Statements of Comprehensive Income for the year ended December 31, 2012.....	2012 Annual Report pages 54-55
Consolidated Statements of Comprehensive Income for the year ended December 31, 2011.....	2011 Annual Report pages 54-55
Consolidated Balance Sheet as at December 31, 2012 .....	2012 Annual Report pages 56-57
Consolidated Balance Sheet as at December 31, 2011 .....	2011 Annual Report pages 56-57
Consolidated Statement of Cash Flows for the year ended December 31, 2012.....	2012 Annual Report pages 58-59
Consolidated Statement of Cash Flows for the year ended December 31, 2011.....	2011 Annual Report pages 58-59
Consolidated Statement of Changes in Equity for the year ended December 31, 2012.....	2012 Annual Report pages 60-61
Consolidated Statement of Changes in Equity for the year ended December 31, 2011.....	2011 Annual Report pages 60-61
Notes to the financial statements for the year ended December 31, 2012.....	2012 Annual Report pages 62-165
Notes to the financial statements for the year ended December 31, 2011 .....	2011 Annual Report pages 62-167
Auditor's report for the year ended December 31, 2012.....	2012 Annual Report pages 166-167
Auditor's report for the year ended December 31, 2011.....	2011 Annual Report pages 168-169
<b>Documents incorporated by reference of Zurich Insurance Company Ltd</b>	
Income Statement for the year ended December 31, 2012.....	2012 Annual Report page 171
Income Statement for the year ended December 31, 2011 .....	2011 Annual Report page 173
Balance Sheet as at December 31, 2012 .....	2012 Annual Report pages 172-173
Balance Sheet as at December 31, 2011 .....	2011 Annual Report pages 174-175
Notes to the financial statements for the year ended December 31, 2012.....	2012 Annual Report pages 174-183
Notes to the financial statements for the year ended December 31, 2011 .....	2011 Annual Report pages 176-185
Auditor's report for the year ended December 31, 2012.....	2012 Annual Report pages 184-185
Auditor's report for the year ended December 31, 2011.....	2011 Annual Report pages 186-187
<b>Documents incorporated by reference of Zurich Finance (UK) plc</b>	
Auditor's report for the year ended December 31, 2012.....	2012 Annual Report page 3
Auditor's report for the year ended December 31, 2011.....	2011 Annual Report page 3
Profit and Loss Accounts for the year ended December 31, 2012 .....	2012 Annual Report page 4
Profit and Loss Accounts for the year ended December 31, 2011 .....	2011 Annual Report page 4
Balance Sheet as at December 31, 2012 .....	2012 Annual Report page 5
Balance Sheet as at December 31, 2011 .....	2011 Annual Report page 5
Notes to the financial statements for the year ended December 31, 2012.....	2012 Annual Report pages 6-14
Notes to the financial statements for the year ended December 31, 2011 .....	2011 Annual Report pages 6-13

<b>Documents incorporated by reference of Zurich Finance (Luxembourg) S.A.</b>	
Auditor's report for the year ended December 31, 2012.....	2012 Annual Report pages 4-5
Auditor's report for the year ended December 31, 2011.....	2011 Annual Report pages 4-5
Balance Sheet as at December 31, 2012 .....	2012 Annual Report pages 6-9
Balance Sheet as at December 31, 2011 .....	2011 Annual Report page 6
Profit and Loss Accounts for the year ended December 31, 2012 .....	2012 Annual Report pages 10-11
Profit and Loss Accounts for the year ended December 31, 2011 .....	2011 Annual Report page 7
Notes to the financial statements for the year ended December 31, 2012 .....	2012 Annual Report pages 12-19
Notes to the financial statements for the year ended December 31, 2011 .....	2011 Annual Report pages 8-14

<b>Documents incorporated by reference from 2012 Zurich EMTN Base Prospectus</b>	
Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes .....	2012 Zurich EMTN Base Prospectus pages 32-67
Terms and Conditions of the Capital Notes .....	2012 Zurich EMTN Base Prospectus pages 68-102

Any information which is not listed in the cross-references above but forms part of the documents which are being incorporated by reference is given solely for information purposes only. The documents incorporated by reference will be available for viewing on the Luxembourg Stock Exchange website at [www.bourse.lu](http://www.bourse.lu).

Each Issuer and ZIC (where ZIC is not the relevant Issuer) will, in connection with the listing on the Official List and trading of the Notes on the regulated market of the Luxembourg Stock Exchange so long as any Note remains outstanding and listed and traded on such exchange, in the event of any material adverse change in the financial condition of such Issuer or ZIC (where ZIC is not the relevant Issuer) which is not reflected in this Base Prospectus, prepare a supplement to this Base Prospectus (to be approved by the CSSF) in respect of the Notes issued by that Issuer or ZIC (where ZIC is not the relevant Issuer) to be listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

This Base Prospectus applies to issues of Notes made on and after May 17, 2013. If the terms of the Programme are modified in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus will be prepared in replacement for this Base Prospectus.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

## GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is taken from, and is, together with the information under “*Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes*” or “*Terms and Conditions of the Capital Notes*” below qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms and must be read together with the documentation referred to under the heading “Documents Incorporated by Reference” which is available for inspection.

*Words and expressions defined under “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” or “Terms and Conditions of the Capital Notes” below or elsewhere in this Base Prospectus have the same meanings in this general description. References herein to the “relevant Conditions” means the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes or, as the case may be, the Terms and Conditions of the Capital Notes.*

### Dealers:

Barclays Bank PLC  
BNP PARIBAS  
Citigroup Global Markets Limited  
Commerzbank Aktiengesellschaft  
Crédit Agricole Corporate and Investment Bank  
Credit Suisse Securities (Europe) Limited  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
The Royal Bank of Scotland plc  
UBS Limited

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “**Subscription and Sale**”).

### Agent:

Citibank, N.A.

### Luxembourg Listing Agent:

Banque Internationale à Luxembourg

### Size:

USD 18,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

### Distribution:

Notes may be distributed by way of private placement or public offering and in each case on a syndicated or non-syndicated basis.

### Currencies:

Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, the relevant Dealer and the Trustee, including, without limitation, Australian Dollars, Canadian Dollars, Czech Koruna, Danish Kroner, Euro, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Krone, Sterling, South African Rand, Swedish Krona, Swiss Francs and United States Dollars (as indicated in the applicable Final Terms, the “**Specified Currency**”).

### Maturities:

Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. The Issuers may issue Undated Subordinated Notes (subject as aforesaid) without a specified maturity. ZIC may issue Capital Notes without a specified maturity.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only 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 who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the relevant Issuer.

**Issue Price:**

Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:**

Notes will be issued in bearer form or registered form as described in “Form of the Notes and the Capital Notes” below. Each Bearer Global Note (other than a Listed Swiss Franc Note) which is not intended to be issued in NGN form and each Registered Global Note which is not intended to be held under the NSS, each as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with the Common Depository for Euroclear or Clearstream, Luxembourg and each Bearer Global Note (other than a Listed Swiss Franc Note) which is intended to be issued in NGN form and each Registered Global Note which is intended to be held under the NSS, each as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with the Common Safekeeper for Euroclear and Clearstream, Luxembourg. Subordinated Notes and Capital Notes will not be issued in NGN form. Listed Swiss Franc Notes will be represented by a Permanent Global SIS Note exchangeable for definitive Notes in the circumstances set out therein and holders of such Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Notes representing such Listed Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. Each Listed Swiss Franc Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be delivered through SIX SIS AG (“**SIS**”) or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange Ltd. (“**SIX Swiss Exchange**”) on or prior to the original issue date of such Tranche, and each Listed Swiss Franc Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for SIS or such other intermediary.

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption. Fixed Rate Notes may include Notes which pay interest by reference to a Specified Mid Swap Rate.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rates under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc.); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer, as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes and specified in the applicable Final Terms.

**Other provisions in relation to Floating Rate Notes:**

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms).

Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the relevant Day Count Fraction unless otherwise indicated in the applicable Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Special provisions in relation to interest payable under Subordinated Notes:**

Interest shall be payable on Subordinated Notes on such date or dates as may be agreed with the relevant Dealer (as indicated in the applicable Final Terms),

subject to the provisions relating to the optional deferral of interest payments or Solvency Deferral set out under Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

**Special provisions in relation to interest payable under Capital Notes:**

Interest shall be payable on the Capital Notes on such date or dates as may be agreed with the relevant Dealer (as indicated in the applicable Final Terms), subject to the provisions relating to the optional or mandatory deferral or, as applicable, cancellation of interest payments set out in Condition 3 of the Terms and Conditions of the Capital Notes.

ZIC shall (if the applicable Final Terms specifies the Capital Note as being Cumulative with respect to such payment) defer or (if the applicable Final Terms specifies the Capital Note as being Non-Cumulative with respect to such payment) cancel any Interest Payment (or relevant part thereof as described herein) on the Capital Notes if a Solvency Event is specified in the applicable Final Terms as applicable and has occurred and is continuing.

ZIC shall also cancel any Interest Payment (or relevant part thereof as described herein) on the Capital Notes if a Trigger Event is specified in the applicable Final Terms as applicable and has occurred and is continuing.

In addition, ZIC may elect (if the applicable Final Terms provides for such election and specifies the Capital Note as being Cumulative with respect to such payment) to defer or (if the applicable Final Terms provides for such election and specifies the Capital Note as being Non-Cumulative with respect to such payment) to cancel such Interest Payment on the Capital Notes by giving notice of such election to the Trustee, the Agent and the Noteholders in accordance with the Terms and Conditions of the Capital Notes.

If an Interest Payment has not been paid in full by reason of any of the above then, in the case of Capital Notes specified as Cumulative with respect to such interest payment, for so long as such payment remains unpaid and, in the case of Capital Notes specified as Non-Cumulative with respect to such interest payment, until the next payment of an Interest Payment in full, (if the applicable Final Terms so provide), ZIC, Zurich Insurance Group Ltd (“**ZIG**” and, together with its subsidiaries, the “**Zurich Insurance Group**”) and their subsidiaries will be subject to the restrictions on making certain payments described in Condition 3(d) of the Terms and Conditions of the Capital Notes.

**Settlement of Deferred Interest — Capital Notes:**

The Issuer may, if the applicable Final Terms specify that Cash Settlement is applicable, elect to pay in cash in whole or in part any Deferred Interest pursuant to Condition 3(e). The Issuer and ZIG may elect, and shall in specified circumstances be required, to settle Deferred Interest utilising the APM in accordance with Condition 3(e) of the Terms and Conditions of the Capital Notes.

**Redemption of the Senior Notes and Subordinated Notes:**

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior (in the case of Senior Notes and Dated Subordinated Notes) to their stated maturity or that such Notes and Undated Subordinated Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving the notice required by the applicable Final Terms to the Noteholders or the relevant Issuer as the case may be, on a date or dates specified, at a price or prices and on such terms as are indicated in the applicable Final Terms and, where applicable pursuant to Condition 6 in the case of Subordinated Notes, having obtained the prior written approval of FINMA or any successor Authority for such payment. Furthermore, Subordinated Notes may be redeemed (i) for taxation reasons or (ii) if so specified in the applicable Final Terms, if an Accounting Event, a Capital Event or a Regulatory Event, has occurred. Upon the occurrence of any of the events described in (i) or, if so specified in the applicable Final Terms, (ii) above, the relevant Issuer may at any time either substitute all (but not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that they remain or, as appropriate, become, Qualifying Securities.

**Redemption of the Capital Notes:**

The Capital Notes are either Dated Capital Notes or Undated Capital Notes. Undated Capital Notes are perpetual securities in respect of which there is no fixed maturity date and they are redeemable or repayable only in accordance with the provisions of Conditions 6 and 9 of the Terms and Conditions of the Capital Notes. In all cases, ZIC may only redeem, substitute or vary the Capital Notes if FINMA has given and has not subsequently withdrawn its consent to the redemption, substitution or variation as appropriate, to the extent that such consent is required. The Dated Capital Notes may be redeemed upon maturity provided that, if so specified in the applicable Final Terms, if a Solvency Event has occurred and is

continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. Furthermore, the Capital Notes may be redeemed (i) for taxation reasons or (ii), if so specified in the applicable Final Terms, on the occurrence of any of an Accounting Event, a Capital Event or a Regulatory Event pursuant to Condition 6.

Upon the occurrence of any of the events described in (i) or, if so specified in the applicable Final Terms, (ii) above, ZIC may at any time either substitute all (but not some only) of the Capital Notes for, or vary the terms of the Capital Notes so that they remain or, as appropriate, become, Qualifying Securities.

The Capital Notes may also be redeemed by the Issuer on any Optional Redemption Date in whole but not, unless so specified in the applicable Final Terms, in part, at the Optional Redemption Amounts specified in the applicable Final Terms, in accordance with Condition 6(d) of the Terms and Conditions of the Capital Notes.

#### **Denomination of Notes:**

Notes issued under the Programme which may be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State may not (a) have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZF (Luxembourg), ZF (UK), ZIC or by any entity to whose group ZF (Luxembourg), ZF (UK) or ZIC belong.

Subject thereto, Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

If so specified in the Final Terms, so long as the Notes are represented by a Temporary Global Note or Permanent Global Note, the Notes may be tradeable only in minimum specified denominations of EUR 100,000 (or equivalent in another currency) and integral multiples of EUR 1,000 (or equivalent in another currency) in excess thereof.

Notes issued under the Programme may have a minimum specified denomination of less than EUR 100,000 if it is the intention that the Notes will not be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State.

#### **Taxation:**

See Condition 7 of the relevant Conditions and “Relevant Jurisdiction” definition in Condition 6(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes and Condition 6(b) of the Terms and Conditions of the Capital Notes.

All payments on Notes issued by each of ZF (Luxembourg) and ZF (UK) will be made without deduction for or on account of withholding tax imposed by Luxembourg and Switzerland (in the case of Notes issued by ZF (Luxembourg)), the United Kingdom and Switzerland (in the case of Notes issued by ZF (UK)) or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) unless such withholding is required by law and/or by agreement of the relevant Issuer or the Guarantor. Subject to a number of exceptions set out in Condition 7 of the relevant Conditions, if such withholding is required, the relevant Issuer will generally be required to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as they would have received had no such withholding been required.

All payments on Notes issued by ZIC will be made subject to withholding tax imposed by Switzerland to the extent required by law. No additional amounts will be paid by ZIC in respect of any such withholding as set out in Condition 7 of the relevant Conditions, save in the case of Restricted Capital Notes and Restricted Notes on which additional amounts will, subject to certain exceptions, be payable as discussed in Condition 7 of the Terms and Conditions of the Capital Notes and Condition 7 of the Terms and Conditions of the Senior Notes, Dated Subordinated

Notes and Undated Subordinated Notes.

**Negative Pledge:**

The terms of the Senior Notes issued by ZF (Luxembourg) and ZF (UK) will contain a negative pledge provision as further described in Condition 3(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

**Cross Default:**

In relation to any Senior Notes, the terms of such Senior Notes will contain a cross default provision as further described in Condition 9(a)(iii) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

**Status of the Notes:**

Notes issued under the Programme may either be senior notes (“**Senior Notes**”), dated subordinated notes (“**Dated Subordinated Notes**”) or undated subordinated notes (“**Undated Subordinated Notes**”), together with Dated Subordinated Notes, “**Subordinated Notes**”) or, in the case of Notes issued by ZIC only, Capital Notes (the “**Capital Notes**”). The status of any such Subordinated Notes or Capital Notes will be described in Condition 2 of the relevant Conditions and the applicable Final Terms.

**Senior Notes:**

The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provision of Condition 3(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, unsecured obligations of the relevant Issuer and (subject as aforesaid) will rank *pari passu*, without any preference among themselves save for statutory preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

**Subordinated Notes:**

The Subordinated Notes will rank as set out in the applicable provisions of Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, as specified in the applicable Final Terms.

**Capital Notes:**

The Capital Notes will rank as set out in the applicable provisions of Condition 2 of the Terms and Conditions of the Capital Notes, as specified in the applicable Final Terms.

The Capital Notes will constitute direct, subordinated and unsecured obligations of ZIC and will rank *pari passu*, without any preference among themselves. The claims of the holders of Capital Notes will rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC after the claims of any Senior Creditors (as defined in Condition 2) of ZIC, *pari passu* with the claims of the holders of any subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of the Capital Notes and prior to the claims of the holders of all classes of issued shares in the share capital of ZIC.

Save as otherwise specified in the applicable Final Terms, in the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer, there shall be payable on each Capital Note, subject to the subordination provisions set out above, an amount equal to the principal amount of each Capital Note with, unless otherwise specified in the applicable Final Terms, unpaid and outstanding Deferred Interest and interest which has accrued up to, but excluding, the date of repayment.

Holders of Capital Notes will have limited remedies, as described under Condition 9 of the Terms and Conditions of the Capital Notes.

**Guarantees by ZIC:**

Each Tranche of Senior Notes issued by ZF (Luxembourg) or ZF (UK) will be unconditionally and irrevocably guaranteed by ZIC (each such guarantee, a “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee will be governed by Swiss law, will be issued by ZIC on the issue date of the relevant Tranche of Notes and will be limited to its stated maximum amount. The obligations of ZIC under each Senior ZIC Guarantee will be direct, non-accessory, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. Payment under the relevant Senior ZIC Guarantee shall be made by ZIC within 7 days of receipt by it of notice from the Trustee that such payment has

become due and remains unpaid.

Each Tranche of Subordinated Notes issued by ZF (Luxembourg) or ZF (UK) will be unconditionally and irrevocably guaranteed on a subordinated basis by ZIC by way of an unsecured and subordinated guarantee (each such guarantee, a “**Subordinated ZIC Guarantee**”). The obligations of ZIC under each Subordinated ZIC Guarantee will constitute direct, non-accessory, unconditional, subordinated and unsecured obligations of ZIC ranking (i) after the claims of Senior Creditors, (ii) *pari passu* with Subordinated Notes and any other subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of such Subordinated Notes or the beneficiaries of the Subordinated ZIC Guarantee and (iii) prior to the claims of holders of any Capital Notes and of all claims of issued shares in the share capital of the Guarantor, it being understood that ZIC’s obligations in respect of certain guarantees (as more fully described under the section “Form of Subordinated Guarantee”) shall rank senior to the Subordinated ZIC Guarantee.

**Prescription:**

The Notes and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 of the relevant Conditions) therefor.

**Listing and Admission to Trading:**

Applications have been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (which is a regulated market pursuant to Directive 2004/39/EC) and listed on the Official List of the Luxembourg Stock Exchange for a period of twelve months from the date hereof. The Notes may also be admitted to listing, trading and/or quotation by any other listing authorities, stock exchanges and/or quotation systems (including the SIX Swiss Exchange) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.

The applicable Final Terms will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.

**Governing Law:**

The Notes (other than the provisions of Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes in relation to Subordinated Notes which will be governed by, and construed in accordance with, the law of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes and Condition 2 of the Terms and Conditions of the Capital Notes which will be governed by, and construed in accordance with, the laws of Switzerland) will be governed by, and construed in accordance with, English law. Holders of Listed Swiss Franc Notes should note that, among other things, under the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, collective representation of investors is possible, albeit without any guarantee that investors’ anonymity can be assured.

Each Senior ZIC Guarantee and each Subordinated ZIC Guarantee will be governed by Swiss law.

**Selling Restrictions:**

There are selling restrictions in relation to the U.S., the European Economic Area, Ireland, the United Kingdom and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “**Subscription and Sale**” below.



## FORM OF THE NOTES AND THE CAPITAL NOTES

The Notes of each Tranche will be either in bearer form or registered form.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche of such Series offered and sold in reliance on Regulation S under the U.S. Securities Act, which will be sold to non-U.S. persons outside the U.S., will initially be represented by a Reg. S Global Note which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg for the accounts of their respective participants. Prior to expiry of the distribution compliance period applicable to each Tranche of Notes, interests in a Reg. S Global Note may not be offered or sold to or for the account or benefit of, a U.S. person save as otherwise provided in Condition 10 of the relevant Conditions and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Reg. S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes will not be exchangeable for Bearer Notes.

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available, or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Reg. S Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Reg. S Global Note.

Individual Registered Notes may also be sold outside the U.S. in reliance on Regulation S under the U.S. Securities Act.

Payments of the principal of, and interest (if any) on, the Reg. S Global Notes will be made to the nominee of Euroclear and/or Clearstream, Luxembourg as the registered holders of the Reg. S Global Notes. None of the relevant Issuer, the Trustee, the Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Reg. S Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal on the Reg. S Notes (as defined in the Trust Deed) will be made to the persons shown on the Register at the close of business on the business day immediately prior to the relevant payment date. Payments of interest on the Reg. S Notes will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except December 25 and January 1.

Each Tranche of Bearer Notes (other than a Tranche of Listed Swiss Franc Notes) will be initially represented by either (i) a Temporary Global Note or (ii) a Permanent Global Note, in each case without interest coupons or talons, which, if it is not intended to be issued in new global note (“NGN”) form, and each Registered Global Note which is not intended to be held under the NSS, each as specified in the relevant Final Terms, will be delivered to a common depository for Euroclear and Clearstream, Luxembourg and each Global Note which is intended to be issued in NGN form, and each Registered Global Note which is intended to be held under the NSS, each as specified in the relevant Final Terms, will be delivered on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and Clearstream, Luxembourg.

On June 13, 2006 the European Central Bank (the “ECB”) announced that Notes in NGN form are in compliance with the “Standards for use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosystem”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of June 30, 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after December 31, 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used and certain other criteria are fulfilled. From October 1, 2010, Registered Global Notes which are cleared through an international central securities depository and intended to constitute eligible collateral for Eurosystem monetary policy operations will need to be issued under a NSS. Such Registered Global Notes will be registered in the name of a nominee of the international central securities depository acting as common safekeeper and asset servicing functions in respect of such Registered Global Notes will be performed by an agent of the international central securities depositories acting as common service provider.

Whilst any Note is represented by a Temporary Global Note and subject to United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) (the “TEFRA D”) selling restrictions, or any successor rules in substantially the same form as such rules for the purposes of section 4701 of the Code, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interest in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream,

Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Listed Swiss Franc Notes will be represented by a Permanent Global SIS Note exchangeable for Definitive Bearer Notes in the circumstances set out therein and holders of such Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Note representing such Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. Listed Swiss Franc Notes will be delivered through SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange on or prior to the original issue date of such Notes. Any reference in this section “**Form of the Notes and the Capital Notes**” to (i) Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system (including SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange on or prior to the original issue date of such Notes) approved by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee and the Agent, and (ii) “**Notes**” shall be deemed to include the Permanent Global SIS Note issuable in respect of Listed Swiss Franc Notes. A Permanent Global SIS Note representing Swiss Franc Notes will be exchangeable for definitive Notes in whole but not in part only if the Swiss paying agent should, after consultation with the Issuer, deem the printing of definitive Notes to be necessary or useful, or if the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of holders of Swiss Franc Notes, or if the Swiss paying agent at any time at its discretion determines to have definitive Notes issued; holders of Swiss Franc Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Note representing such Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. If definitive Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Swiss Franc Notes in such holders’ securities accounts.

On and after the date (the “**Exchange Date**”) which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without interest coupons or talons or for Definitive Bearer Notes (notwithstanding the Final Terms may specify that no Definitive Bearer Notes will be issued over a certain denomination) with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such prior notice as is specified in the applicable Final Terms) in each case (if the Notes are subject to TEFRA D selling restrictions, or any successor rules in substantially the same form as such rules for the purposes of section 4701 of the Code) against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused.

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” and under “Terms and Conditions of the Capital Notes” below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned (where applicable) a common code and ISIN by Euroclear and Clearstream, Luxembourg or CUSIP number which are different from the common code and ISIN or CUSIP number assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note (if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that either (i) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, interest coupons and talons attached upon not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of such Permanent Global Note) to the Agent as described therein or (ii) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, interest coupons and talons attached only upon the occurrence of certain specified events as described therein. The events described are that (i) an Event of Default (as defined in Condition 9 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) or a Dissolution Event (as defined in Condition 9 of the Terms and Conditions of the Capital Notes) occurs in respect of any Note or (ii) Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announce an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 of the relevant Conditions if any such event occurs. In the event of the occurrence of any such event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange.

For so long as any of the Notes is represented by a Bearer Global Note deposited with, or a Reg. S Global Note registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as entitled to a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or its nominee as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes for all purposes other than with respect to

the payment of principal or interest on the Notes, for which purpose such common depositary or its nominee shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note or Reg. S Global Note and the Trust Deed (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly).

In relation to any Tranche of Notes which is represented by a Global Note which, in accordance with its terms, is exchangeable into Definitive Notes in circumstances other than in the limited circumstances specified in such Global Note, such Notes may only be traded in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Notes which are represented by a Global Note will be transferable only in accordance with the applicable procedures Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

The following legend will appear on all Global Notes, Reg. S Global Notes, Definitive Notes and interest coupons in respect of obligations with an original maturity in excess of 365 days:

**“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”**

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

## TERMS AND CONDITIONS OF THE SENIOR NOTES, DATED SUBORDINATED NOTES AND UNDATED SUBORDINATED NOTES

*The following, save for the paragraphs in italics, are the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes which will be endorsed on each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to “**Form of the Notes and the Capital Notes**” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (UK) plc (“**ZF (UK)**”) or Zurich Insurance Company Ltd (“**ZIC**”) and, together with ZF (Luxembourg) and ZF (UK), the “**Issuers**” and each an “**Issuer**”) and references in these Terms and Conditions to the “**relevant Issuer**” shall be to the issuer of the Notes named in the applicable Final Terms (as defined below), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated May 17, 2013 made between the Issuers, Zurich Insurance Group Ltd (“**ZIG**”) and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Global Note, all as defined below), units of the lowest Specified Denomination in the Specified Currency; and
- (ii) in relation to any Notes in definitive bearer form (“**Definitive Bearer Notes**”) issued in exchange for an interest or interests in a Global Note in bearer form (“**Bearer Global Note**”), units of the lowest Specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Reg. S Global Note, units of the lowest Specified Denomination in the Specified Currency.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplement these Terms and Conditions. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Notes and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “**Agency Agreement**” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Notes as referred to in Condition 5(e)) dated May 17, 2013 and made between the Issuers, Citibank, N.A. as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Banque Internationale à Luxembourg (the “**Luxembourg Listing Agent**”), the registrars named therein (each, a “**Registrar**”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents) and the Trustee.

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Registered Notes do not have Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”) in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement, any applicable Senior ZIC Guarantee (as defined below), any applicable Subordinated ZIC Guarantee (as defined below) and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee as to its holding of Notes and as to identity. The Noteholders and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, and are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Senior ZIC Guarantee, the Subordinated ZIC Guarantee and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. Form, Denomination and Title

The Notes are either in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) as specified in the applicable Final Terms and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis and Redemption/Payment Basis shown in the applicable Final Terms.

This Note is a Listed Swiss Franc Note if it is denominated or payable in Swiss francs and listed on the SIX Swiss Exchange and the applicable Final Terms so state.

Each Listed Swiss Franc Note will be represented exclusively by a Permanent Global SIS Note in bearer form which will be deposited with SIX SIS AG, Olten, Switzerland (“**SIS**”), or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (with respect to any such Permanent Global SIS Note, SIS or such other intermediary, the “**Intermediary**”) on or prior to the original issue date of such Note. As a matter of Swiss law, once the Permanent Global SIS Note has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Listed Swiss Franc Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (the “**Intermediated Securities**”). The Permanent Global SIS Note will be exchangeable for definitive Notes in whole but not in part only if the Swiss paying agent should, after consultation with the relevant Issuer, deem the printing of definitive Notes to be necessary or useful, or if the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of Noteholders, or if the Swiss paying agent at any time at its discretion determines to have definitive Notes issued; holders of Listed Swiss Franc Notes will not have the right to effect or demand the exchange of the Permanent Global SIS Note representing such Listed Swiss Franc Notes into, or delivery of, Notes in definitive or un-certificated form. If definitive Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Listed Swiss Franc Notes in such holders' securities accounts. As a matter of Swiss law, a holder of an interest in the Permanent Global SIS Note retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of the Notes represented by such Permanent Global SIS Note in which such holder has an interest; provided, however, that, for so long as the Permanent Global SIS Note remains deposited with the Intermediary (i.e., for so long as the Notes represented thereby constitute Intermediated Securities), the co-ownership interest is suspended and the Notes represented thereby may only be transferred by the entry of the transferred Notes in a securities account of the transferee. For so long as Notes constitute Intermediated Securities, as a matter of Swiss law, (i) the records of the Intermediary will determine the number of Notes held through each participant of the Intermediary and (ii) the holders of such Notes will be the persons holding such Notes in a securities account (*Effektenkonto*) that is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Notes for their own account in a securities account (*Effektenkonto*) that is in their name.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which, if the Bearer Global Notes are not intended to be issued in new global note (“**NGN**”) form will be delivered to the common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) and, if the Bearer Global Notes are intended to be issued in NGN form, will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or after the end of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non syndicated issue,

or the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Coupons and Talons attached (i) if an Event of Default (as defined in Condition 9) occurs in respect of any Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Notes with a minimum denomination of EUR 100,000 (or the equivalent thereof in the currency in which such issue of Notes is denominated as determined on the date of issue of such Notes) and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the U.S. in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Note in registered form, without Coupons or Talons, (the “**Reg. S Global Note**”) which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Notes in individual registered form (“**Individual Registered Notes**”) issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the U.S. Securities Act, together with the Reg. S Global Notes, are referred to herein as “**Reg. S Notes**”. Prior to expiry of the Distribution Compliance Period interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Individual Registered Notes from the date of issue may, if specified in the applicable Final Terms, be issued in reliance on Regulation S under the U.S. Securities Act.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable laws or as otherwise ordered by a court of competent jurisdiction or an official authority) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

References in these Terms and Conditions 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 (including SIS) approved by the relevant Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

## **2. Status of the Notes**

### **(a) Senior Notes**

This Condition 2(a) is only applicable to senior Notes (“**Senior Notes**”) issued by the relevant Issuer which are described in the applicable Final Terms as being issued on an unsubordinated basis.

The Senior Notes and the relative Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves save for statutorily preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

## (b) Subordinated Notes

This Condition 2(b) is only applicable to dated subordinated notes (“**Dated Subordinated Notes**”) and undated subordinated notes (“**Undated Subordinated Notes**”) issued by the relevant Issuer. Dated Subordinated Notes and Undated Subordinated Notes are together referred to as “**Subordinated Notes**”. The provisions of this Condition 2(b) are subject to Condition 2(c) below.

## (c) Ranking on a winding-up

The Subordinated Notes and the relative Coupons will constitute direct, subordinated and unsecured obligations of the relevant Issuer and will rank *pari passu*, without any preference, among themselves. The Subordinated Notes and relative Coupons will rank on a winding-up of the relevant Issuer:

- (i) after the claims of any Senior Creditors (as defined below) of the relevant Issuer;
- (ii) *pari passu* with the claims (a) of the holders of other Undated Subordinated Notes and Dated Subordinated Notes of the relevant Issuer; (b) of other creditors of the relevant Issuer whose claims rank or are expressed to rank *pari passu* with the claims of the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer; and (c) (in the case where ZIC is the relevant Issuer) under the Subordinated ZIC Guarantee (as defined below); and
- (iii) prior to claims of the holders of any Capital Notes (as defined in the Trust Deed) (in the case where ZIC is the relevant Issuer), and of any other subordinated obligations of the relevant Issuer which rank or are expressed to rank junior to the claims of (a) the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

In the event of a winding-up, liquidation, dissolution or other similar proceedings of the relevant Issuer, there shall be payable in such winding-up, liquidation or dissolution on each Subordinated Note, subject to and after the claims of all Senior Creditors and prior to any payment to the holders of debt that ranks or is expressly designated as ranking junior to the Subordinated Notes, or holders of issued shares at such time in the relevant Issuer, an amount equal to the principal amount of such Subordinated Notes together with interest which has accrued up to, but excluding, the date of repayment (including any Arrears of Interest (as defined below)).

As used herein, “**Senior Creditors**” of an entity means:

- (i) all unsubordinated creditors of that entity;
- (ii) all creditors of that entity whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise; and
- (iii) in the case of a relevant Issuer, all other subordinated creditors of that entity except those whose claims rank or are expressed to rank *pari passu* with or junior to the claims (a) of the Noteholders of the Undated Subordinated Notes or Dated Subordinated Notes of such relevant Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

Subject to applicable law, neither the Trustee nor any Noteholder of the Subordinated Notes may exercise or claim any right of set-off in respect of any amount owed to it by the relevant Issuer arising under or in connection with the Subordinated Notes and each such Noteholder of such Subordinated Note shall, by virtue of being the Noteholder of any of the Subordinated Notes, be deemed to have waived all such rights of set-off.

*For the avoidance of doubt, the obligations of ZIC in relation to either Subordinated Notes issued by it or under a Subordinated ZIC Guarantee (see Condition 3(b) below) will rank on a winding-up, liquidation, dissolution or other similar proceedings:*

- (a) *pari passu with the obligations of ZIC in respect of its €425m 7.5 per cent Subordinated Notes due 2039 and its €787,522,000 Subordinated Notes due 2043 and in respect of its guarantee of the €500m 5.75 per cent Subordinated Notes due 2023, the €418,093,000 4.5 per cent Subordinated Notes due 2025, the £450m 6.625 per cent Undated Subordinated Notes, the CHF700m 4.25 per cent Undated Subordinated Notes, the CHF500m 4.625 per cent Undated Subordinated Notes and any future Subordinated Notes issued by ZIC; and*
- (b) *senior to the obligations of ZIC in respect of its subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust V and its obligations under the €143m 12 per cent Capital Notes, the U.S.\$500m 8.250 per cent Undated Reset Capital Notes and any future Capital Notes.*

## 3. Senior ZIC Guarantee, Subordinated ZIC Guarantee and Negative Pledge

### (a) Senior ZIC Guarantee

Where the relevant Issuer is ZF (Luxembourg) or ZF (UK), the payment of principal and interest in respect of Senior Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed by ZIC pursuant to a guarantee agreement dated

the issue date of the relevant Tranche of Notes (the “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee provides that the Guarantor will within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of Notes or the Trust Deed should have been paid. The Senior ZIC Guarantee, which is governed by Swiss law, is limited to a maximum amount stated in the relevant Senior ZIC Guarantee. The obligations of ZIC under the Senior ZIC Guarantee in respect of unsubordinated Notes constitute direct, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. No Noteholder or Couponholder will be entitled to proceed directly against ZIC unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

#### **(b) Subordinated ZIC Guarantee**

Where the relevant Issuer of Subordinated Notes is ZF (Luxembourg) or ZF (UK), the payment of principal and interest in respect of the Subordinated Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed on a subordinated basis by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of the Subordinated Notes (the “**Subordinated ZIC Guarantee**”). Each Subordinated ZIC Guarantee provides that the Guarantor will, within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid, make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of the Subordinated Notes or the Trust Deed should have been paid. The Subordinated ZIC Guarantee, which is governed by Swiss law, is limited to the maximum amount stated in the relevant Subordinated ZIC Guarantee. The obligations of ZIC under the Subordinated ZIC Guarantee in respect of the Subordinated Notes issued by the relevant Issuer constitute direct, subordinated and unsecured obligations of the Guarantor. Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the Guarantor (like “**Nachlassstundung**”), rank *pari passu* with the claims of holders of Subordinated Notes issued by ZIC as described in Condition 2(c).

#### **(c) Negative Pledge**

This Condition 3(c) is only applicable to Senior Notes.

So long as any of the Notes of the relevant Series remains outstanding (as defined in the Trust Deed), the relevant Issuer (except where ZIC is the relevant Issuer) will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, property, assets or revenues present or future to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, such Issuer’s obligations under the Notes, the Coupons and the Trust Deed (i) are secured equally and rateably therewith to the satisfaction of the Trustee, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of the relevant Series or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the relevant Series.

For the purposes of this Condition, “**Relevant Debt**” means any present or future indebtedness of the relevant Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities of such Issuer or such other person which are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange, over-the-counter or other securities market.

### **4. Interest**

#### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and (if applicable) on the Maturity Date or other date fixed for redemption if that does not fall on an Interest Payment Date.

The amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each calculation amount as specified in the applicable Final Terms (“**Calculation Amount**”) multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.



For the purposes of these Conditions “**Fixed Day Count Fraction**” means:

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
  - (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) number of Regular Periods normally ending in any year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**sub-unit**” with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

If the applicable Final Terms specify that a Mid Swap Rate is applicable to interest payable on Interest Payment Dates falling in a specified period (the “**Reset Period**”), the Notes will bear interest during such Reset Period at a rate determined on the Reset Determination Date as being the aggregate of the Reset Margin and the Specified Mid Swap Rate. The Specified Mid Swap Rate shall be the mid-market swap rate for the Specified Swap Duration, expressed as a percentage, which appears on the Mid Swap Rate Screen Page (or such other page as may replace that page, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates) at 11.00 a.m. (local time) on the Reset Determination Date. If swap rates do not appear on the Mid Swap Rate Screen Page, the Specified Mid Swap Rate shall be determined by the Swap Rate Determination Agent (which, unless otherwise specified in the applicable Final Terms, shall be the Agent) on the basis of (i) quotations provided by the principal office of each of four major banks in the relevant swap market of the rates at which swaps in the applicable currency are offered by it at approximately 11.00 a.m. (local time) on the Reset Determination Date to participants in the relevant swap market for the period equal to the Specified Swap Duration; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

The Swap Rate Determination Agent will at, or as soon as practicable after, each time at which the Specified Mid Swap Rate is to be determined, determine the Specified Mid Swap Rate for the relevant Reset Period and notify the Agent as soon as practicable after determining the same.

The Agent will cause the Specified Mid Swap Rate to be notified to the relevant Issuer and any stock exchange on which the relevant Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter.

If for any reason the Swap Rate Determination Agent at any time after the Issue Date defaults in its obligation to determine the Specified Mid Swap Rate, the Trustee shall determine the Specified Mid Swap Rate at such rate as, in its absolute discretion

(having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and any such determination shall be deemed to have been made by the Swap Rate Determination Agent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(a), whether by the Swap Rate Determination Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Swap Rate Determination Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders or the Couponholders shall attach to the Agent, the Trustee or the Swap Rate Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **(b) Interest on Floating Rate Notes**

##### *(i) Interest Payment Dates*

Each Floating Rate Note bears interest on its nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Final Terms and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions “**TARGET system**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on November 19, 2007 or any successor thereto.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA 2006 Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or the European inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specify a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specify a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes in respect of each Calculation Amount for the relevant Interest Period.

Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if “Actual/Actual” or “Actual/Actual/ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30.

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth London Business Day (as defined below) after such determination. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

*(vii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**(d) Special provisions in relation to Subordinated Notes**

This Condition 4(d) is only applicable to Subordinated Notes:

(i) *Optional deferral of interest*

If so specified in the applicable Final Terms, there may be paid, on each Optional Interest Payment Date, interest accrued in respect of the Interest Period which ends on such Optional Interest Payment Date but the relevant Issuer shall have the option to defer payment of interest on the Notes which would otherwise be payable on such date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 4(d)(i) but without prejudice to the provisions of Condition 4(d)(ii), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Notes under the Applicable Regulations (as defined below), the relevant Issuer will only be allowed to exercise its option under this Condition 4(d)(i) to defer payment of interest on the Notes on such Optional Interest Payment Date for a period of up to five years (a “**Fixed Term Deferred Interest Payment**”). The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 4(d)(i) will not constitute an Event of Default by the relevant Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom, the Guarantor, shall notify the Trustee and the Noteholders, immediately as soon as it becomes aware that an Interest Payment Date will be an 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 relevant Issuer may defer paying interest on each Optional Interest Payment Date until the Notes become due and payable as described in Condition 4(d)(iii).

For the purpose of this Condition 4(d), “**Optional Interest Payment Date**” means any Interest Payment Date in respect of which during the six month period ending thereon, but subject as provided in the next paragraph, (i) no dividend has been declared or paid on any class of share capital of ZIG; and (ii) (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest, distribution or other payments (including payment for the purpose of a redemption or repurchase) have been made on any securities issued (or guaranteed) by (a) ZIC as the relevant Issuer or Guarantor and the claims in respect of such securities or, as applicable, guarantee rank junior to, or *pari passu* with, the claims of holders of Subordinated Notes issued by ZIC or, as applicable, under a ZIC Subordinated Guarantee or (b) ZIG (unless, in each case aforesaid, such payment was compulsory on such securities or required due to the repayment of such securities).

Notwithstanding the immediately preceding paragraph, any Interest Payment Date which would otherwise not be an Optional Interest Payment Date by reason of one or more of the following events shall be treated as an Optional Interest Payment Date:

- (aa) repurchases, redemptions or other acquisitions of ZIG’s ordinary shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of ZIG’s ordinary shares (or securities convertible into or exercisable for ZIG’s ordinary shares) as consideration in an acquisition transaction entered into prior to the applicable deferral period;
- (bb) as a result of any exchange or conversion of any class or series of ZIG’s ordinary shares (or any capital stock of any of its subsidiaries) for any class or series of common stock or of any class or series of its indebtedness (or for the indebtedness of any of its subsidiaries);
- (cc) the purchase of fractional interests in ZIG’s ordinary shares, pursuant to the conversion or exchange provisions of such ZIG’s ordinary shares, or the security being converted or exchanged;
- (dd) any declaration of a dividend in connection with any shareholders’ rights plan, or the issuance of rights, stock or other property under any shareholders’ rights plan, or the redemption or repurchase of rights pursuant thereto;
- (ee) any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock; or
- (ff) payments of interest on any Subordinated Notes and any other obligations which rank *pari passu* with the Subordinated Notes rateably and in proportion to the respective amounts as at such Interest Payment Date of (y) accrued and unpaid interest on such other obligations, on the one hand, and (z) if applicable, Arrears of Interest and any other accrued and unpaid interest on the Subordinated Notes, on the other hand.

(ii) *Solvency Deferral of Interest*

If Solvency Deferral is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Deferral Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the relevant Issuer shall defer such Interest Payment, and shall defer the relevant Solvency Shortfall if, were the relevant Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur except that the relevant Issuer will not be required to defer such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment. The deferral of any Interest Payment or part thereof in accordance with this Condition 4(d)(ii) will not constitute an Event of Default and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom the Guarantor, shall give notice of such deferral to the Trustee (together with the certificate of the occurrence of a Solvency Event referred to below), and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. A certificate as to the occurrence of a Solvency Event signed by two Directors of the relevant Issuer or ZIG, shall, in the absence of manifest error, be treated and accepted by the relevant Issuer, the Noteholders, the Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

**“Applicable Regulations”** means, with respect to the Relevant Entity at any time, the regulatory capital requirements applicable to such entity and/or its group at such time including, but not limited to, such insurance regulatory law (for group solvency or single solvency and/or financial conglomerate purposes, as applicable) and/or applicable generally recognised administrative practice, if any, of FINMA or any Successor Authority.

**“Assets”** means, where ZIC is specified in the relevant Final Terms as being the Relevant Entity, ZIC’s consolidated total assets and, where ZIG is specified in the relevant Final Terms as being the Relevant Entity, ZIG’s consolidated total assets, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Deferral Determination Date”** means, in respect of an Interest Payment Date, the 20<sup>th</sup> business day in Zurich preceding such Interest Payment Date.

**“FINMA”** means the Swiss Financial Market Supervisory Authority FINMA in Switzerland.

**“Interest Payment”** means, with respect to an Interest Payment Date, the interest scheduled to be paid on such Interest Payment Date.

**“Liabilities”** means, where ZIC is specified in the applicable Final Terms as being the Relevant Entity, ZIC’s consolidated total liabilities and, where ZIG is specified in the applicable Final Terms as being the Relevant Entity, ZIG’s consolidated total liabilities, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Relevant Entity”** means ZIC and/or ZIG, as specified in the applicable Final Terms.

A **“Solvency Event”** shall be deemed to have occurred as at any date if as at such date:

- (i) the Relevant Entity does not at such date have appropriate funds to cover the required minimum solvency margin or meet any other required level of own funds regulatory capital (or another applicable term in case of a change in Applicable Regulations) in accordance with Applicable Regulations and a deferral or, as applicable, cancellation of interest is required under the Applicable Regulations; or
- (ii) the Relevant Entity is unable to pay its debts owed to its Senior Creditors (as defined in Condition 2(c)) as they fall due; or
- (iii) the Relevant Entity’s Assets do not exceed its Liabilities (each as defined above) (other than liabilities to persons who are not Senior Creditors); or
- (iv) FINMA or a Successor Authority has given (and not withdrawn) notice to the Relevant Entity that it has determined, in view of the financial and/or capital position of the Relevant Entity, that in accordance with Applicable Regulations at such time, the relevant Issuer must take specified action in relation to payments on the Notes; or
- (v) the Relevant Entity’s auditors cannot give a confirmation pursuant to Article 725(2) of the Swiss Code of Obligations or any equivalent provision under applicable laws.

**“Solvency Shortfall”** means the portion of interest that would cause a Solvency Event to occur or be continuing.

“**Successor Authority**” means any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over ZIC and/or the Zurich Insurance Group.

(iii) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date (including any Solvency Shortfall), together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of this Condition 4(d), shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(d), shall not themselves bear interest. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(d) may, if so specified in the applicable Final Terms and subject to obtaining the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time), be satisfied at the option of the relevant Issuer in whole or in part, at any time upon the expiry of not less than 15 nor more than 30 days’ notice to such effect given by the relevant Issuer or the Guarantor to the Trustee and to the Noteholders in accordance with Condition 13 and in any event such Arrears of Interest and any other amount payment of which is deferred in accordance with this Condition 4(d) will, save as otherwise specified in the applicable Final Terms and as provided below, automatically become immediately due and payable upon the earliest of the following dates:

- (A) the date upon which a dividend is next declared or paid on any class of share capital of ZIG; or
- (B) the date of redemption, substitution or variation of any Notes pursuant to Condition 6(a), Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f); or
- (C) the commencement of the winding-up or dissolution of the relevant Issuer or, as the case may be, the Guarantor (except for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or a reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation); or
- (D) the date upon which the relevant Issuer or, as the case may be, the Guarantor pays interest on any other junior or *pari passu* securities of the relevant Issuer or the Guarantor (unless such payment was compulsory on such securities or required due to the repayment of such securities); or
- (E) in the case of a Fixed Term Deferred Interest Payment only, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Notwithstanding the foregoing, Arrears of Interest arising pursuant to Condition 4(d)(ii) will only be due and payable by reason of items (A) and (D) above following the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time) and provided the relevant dividend or interest payment under item (A) or (D) is not one of a type described in paragraphs (aa) to (ff) in Condition 4(d)(i).

## 5. Payments

### (a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction (whether by operation of law or agreement of the relevant Issuer or the Guarantor or its Agents and neither the relevant Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements), but without prejudice to the provisions of Condition 7. References to “Specified Currency” will include any successor currency under applicable law.

### (b) Presentation of Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the



specified office of any Paying Agent outside the U.S. (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable, all unmatured Talons (if any) appertaining hereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note (as defined below) in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Definitive Bearer Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the U.S.. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Bearer Global Note and the relevant Issuer or, as the case may be, ZIC will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the U.S. if:

- (i) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) have appointed Paying Agents with specified offices outside the U.S. with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the U.S. of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the U.S. is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under U.S. law without involving, in the opinion of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer), adverse tax consequences to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer).

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a), above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note will be made to the person in whose name such Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except December 25 and January 1, and (ii) where in individual form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for the

purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

### **(c) Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Final Terms, “**Payment Day**” means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Payment Business Centre specified in the applicable Final Terms and, in the case of Notes in individual form only, in the relevant place of presentation; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Additional Business Centre) or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET system is operating.

### **(d) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iii) the Early Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iv) the Optional Redemption Amount(s) (as specified in the applicable Final Terms) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as specified in the applicable Final Terms); and
- (vi) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

### **(e) Payments on Listed Swiss Franc Notes**

The receipt by the Principal Paying Agent named in the applicable Final Terms (the “**Principal Paying Agent**”) from the relevant Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the relevant Issuer under such Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

### **(f) Definition**

In this Condition, “**euro**” means the single currency adopted by those states participating in European Monetary Union from time to time.

## **6. Redemption and Purchase**

### **(a) At Maturity**

This Condition 6(a) is applicable to Notes other than Undated Subordinated Notes.

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date provided that, in the case of Dated Subordinated Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Subordinated

Notes shall not be redeemed unless the prior written approval of FINMA or any Successor Authority for such payment has been given. If a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each Dated Subordinated Note will be redeemed by the relevant Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including, following the relevant redemption) and the giving of not more than 30 nor less than 15 days' notice to such effect by the relevant Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**Maturity Date**" shall be construed accordingly to refer to such later date of redemption and, for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Subordinated Note until such later date of redemption.

A certificate as to the occurrence and/or continuation of a Solvency Event and as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the relevant Issuer or ZIG, shall, in the absence of manifest error be treated and accepted by the relevant Issuer, to Noteholders, the Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

#### **(b) Redemption of Undated Subordinated Notes**

This Condition 6(b) is only applicable to Undated Subordinated Notes.

Each Note has no final maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 and Condition 9(b).

#### **(c) Redemption for Tax Reasons**

The Notes of any Series may be redeemed at the option of the relevant Issuer, subject to Condition 6(l), in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) at their principal amount, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, (A) the relevant Issuer is or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (B) ZIC (where ZIC is not the relevant Issuer) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each of cases (A) and (B) as a result of (1) any current law (in the case of an issue of Undated Subordinated Notes) or (2) (in the case of an issue of Senior Notes, Dated Subordinated Notes or Undated Subordinated Notes) change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes of the relevant Series; and such obligation cannot be avoided by the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) would be obliged to pay such additional amounts were a payment in respect of the Notes then due; or
- (ii) on the next Interest Payment Date the payment of interest in respect of any Undated Subordinated Notes would (whether or not as a result of a change in or amendment of law or regulation as aforesaid) (i) in the case of Notes issued by ZF (UK), be treated as a "distribution" within the meaning of the UK Corporation Tax Act 2010 (as amended, re-enacted or replaced) or (ii) not be deductible as an expense for tax purposes of the relevant Issuer, in each case for reasons outside the control of and which cannot be avoided by, the relevant Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of ZIC (where ZIC is not the relevant Issuer) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, ZIC (where the relevant Issuer is not ZIC), has or will become obliged to pay such additional amounts as a result of such circumstances, change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

In these Conditions, "**Relevant Jurisdiction**" means (i) Luxembourg and Switzerland, in the case of Notes issued by ZF (Luxembourg), (ii) Switzerland, in the case of Notes issued by ZIC; and, (iii) United Kingdom and Switzerland, in the case of Notes issued by ZF (UK).

Notes redeemed pursuant to this Condition 6(c) will be redeemed at their Early Redemption Amount referred to in Condition 6(h) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

#### (d) Redemption for Other Reasons

This Condition 6(d) is only applicable to Subordinated Notes.

The Notes may, subject to Condition 6(l), be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) (provided that the relevant Issuer shall not have the right to redeem the Notes following an Accounting Event and/or a Capital Event (each as defined below) if such right of redemption would cause a Regulatory Event) at the Regular Redemption Price or the Special Redemption Price, as specified in the applicable Final Terms, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 13, the Noteholders (which shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) if so specified in the applicable Final Terms, an Accounting Event has occurred and is continuing;
- (ii) if so specified in the applicable Final Terms, a Capital Event has occurred and is continuing; or
- (iii) if so specified in the applicable Final Terms, a Regulatory Event has occurred and is continuing.

As used herein:

**“Accounting Event”** means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that obligations of the Issuer in respect of the Notes must not or must no longer be recorded under the Initial Accounting Treatment Methodology specified in the applicable Final Terms (either **“liabilities”** or **“equity”**), (being the presentation of the Notes under IFRS as at the Issue Date) on the balance sheet of ZIG published in its annual consolidated financial statements pursuant to IFRS and this cannot be avoided by the Issuer or, as the case may be, ZIG taking such reasonable measures as the Issuer or ZIG (acting in good faith) deems appropriate. The Issuer will deliver the applicable opinion to the Trustee.

**“Capital Event”** means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Notes, as such criteria are in effect on the Issue Date (the **“current criteria”**), which change has been confirmed in writing to the relevant Issuer or ZIG by such organisation and which results in a lower equity credit being given to the Notes as of the date of such change by such nationally recognised statistical rating organisation as compared with the equity credit pursuant to its current criteria.

**“Future Regulations”** means the solvency margin, regulatory capital or capital adequacy regulations (if any) which may be introduced in Switzerland (or if ZIG becomes domiciled for regulatory purposes in a jurisdiction other than Switzerland, such other jurisdiction) and which are applicable to the relevant Issuer and/or ZIG, which would set out the requirements to be satisfied by financial instruments in order that they be eligible to be included in Tier Two (or equivalent) own funds regulatory capital.

**“Regulatory Event”** means the occurrence of any of the following events which occurrence cannot be avoided by the relevant Issuer or the Guarantor or ZIG taking such reasonable measures as they (acting in good faith) deem appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Notes are no longer eligible to qualify as at least lower additional capital (in the case of Dated Subordinated Notes) or upper additional capital (in the case of Undated Subordinated Notes) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal),

save, in each case above, where such non-qualification thereof applicable to the Notes is only as a result of any applicable limitation on the amount of such capital.

**“SPICO”** means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen* — AVO) of November 9, 2005, as amended.

**“Special Event”** means any of an Accounting Event, a Capital Event or a Regulatory Event or any combination of the foregoing.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer stating that the circumstances described in the definitions of Accounting Event, Capital Event or Regulatory Event (as appropriate) have occurred and that, in the case of a Regulatory Event, such Regulatory Event cannot be avoided by the Issuer, Guarantor or, as the case may be, ZIG taking such measures as are provided for in the definition of Regulatory Event to avoid such Regulatory Event and the Trustee shall be entitled to accept such certificate as sufficient evidence that the circumstances described in the relevant Special Event apply, in which event it shall be conclusive and binding on the Noteholders and the Couponholders. In the case of a Capital Event, prior to the publication of any notice of

redemption, the relevant Issuer shall also deliver a copy of the relevant written confirmation of the rating organisation referred to in the definition of Capital Event.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event has occurred.

#### **(e) Redemption at the Option of the Relevant Issuer**

If the relevant Issuer is specified in the applicable Final Terms as having an option to redeem, such Issuer may, subject to Condition 6(l) and having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot in a manner approved by the Trustee, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Bearer Notes or Individual Registered Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 6(e) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

#### **(f) Substitution or Variation**

This Condition 6(f) is only applicable to Subordinated Notes.

If any of the events described in Condition 6(c) or 6(d) has occurred and is continuing, then the relevant Issuer may, subject to Condition 6(l), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(f) have been complied with and having given not less than seven days' written notice to the Trustee and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(f) being complied with and subject further to the receipt by the Trustee of a certification by the Directors of the relevant Issuer referred to below) agree to such substitution or variation. In connection therewith, all Arrears of Interest (if any) will be paid.

Upon the expiry of such notice, the relevant Issuer shall either vary the terms of, or substitute, the Notes in accordance with this Condition 6(f), as the case may be. The Trustee shall not be obliged to participate in any substitution or variation of the Notes for any proposed alternative Qualifying Securities if the terms of the proposed alternative Qualifying Securities would impose, in the Trustee's opinion, more onerous obligations on it.

As used herein, "**Qualifying Securities**" means securities:

- (a) having terms (including terms providing for deferral and/or cancellation of payment of interest and/or principal) that are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the relevant Issuer after consulting an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the relevant Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the relevant Issuer or issued by another member of the Zurich Insurance Group with a guarantee by the relevant Issuer and, as appropriate, Guarantor, such that investors have the same material rights and claims as provided by the Notes

(as reasonably determined by the relevant Issuer, and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities); and

- (c) ranking at least equal to the Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Notes; and
- (d) containing terms which preserve the obligations (including the obligations arising from the exercise of any right) of the relevant Issuer as to redemption of the Notes, including (without limitation) as to timing of and amounts payable on, such redemption; and
- (e) which do not contain any terms providing for loss absorption through principal write-down or conversion to ordinary shares, unless the triggers are objective and measurable; and
- (f) which, benefit from a guarantee from ZIC which is subordinated on the same basis, and to the same extent, as the Subordinated ZIC Guarantee in circumstances where the Notes benefitted from the Subordinated ZIC Guarantee; and
- (g) listed on an internationally recognised stock exchange, if the Notes were listed prior to such substitution or variation.

In addition, any substitution or variation is subject to (A) all interest amounts, including Arrears of Interest, and any other amount payable under the Notes which, in each case has accrued to Noteholders and has not been paid, being satisfied in full on or prior to the date thereof; (B) compliance with Condition 6(l); (C) the substitution or variation not itself giving rise to a change in any published rating of the Notes in effect at such time as confirmed in writing by the rating organisations who have given such published rating of the Notes previously; (D) the substitution or variation not triggering the right on the part of the relevant Issuer to redeem the Notes pursuant to Condition 6(c) or 6(d); and (E) certification by two Directors of the relevant Issuer that the securities in question are “**Qualifying Securities**” in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

In connection with any substitution or variation as described above, the relevant Issuer will comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

#### **(g) Redemption at the Option of the Noteholders**

This Condition 6(g) is only applicable to Senior Notes.

If the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 13 not less than 15 nor more than 30 days’ notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If a Note is in individual or definitive form, to exercise the right to require redemption of such Note the holder of the Note must deliver such Note in individual or definitive form at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the holder must (subject to the terms of Condition 5) specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

The Paying Agent with which a Note in individual or definitive form is so deposited shall deliver a duly completed receipt for such Note (a “**Put Option Receipt**”) to the depositing Noteholder. No Definitive Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 6(g), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date, any such Note in individual or definitive form becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, the Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Notice and shall hold such Note in individual or definitive form at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note in individual or definitive form is held by a Paying Agent in accordance with this Condition 6(g), the depositor of such Note in individual or definitive form and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

If a Note is in global form, the Noteholder shall comply with the procedures of the relevant Clearing System so as to enable such Clearing System to procure the giving of a Put Notice as provided by this Condition 6(g).

## **(h) Early Redemption Amounts**

For the purpose of Condition 6(c) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (a) the Reference Price specified in the applicable Final Terms; and
  - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Final Terms.

## **(i) Purchases**

The relevant Issuer, ZIC (where ZIC is not the relevant Issuer) or any of ZIC’s Subsidiaries (as such term is defined in the Trust Deed) may subject to Condition 6(l), in the case of Restricted Notes subject to Condition 10(l), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), surrendered to any Paying Agent or the Registrar for cancellation.

## **(j) Cancellation**

All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together in the case of Definitive Bearer Notes with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## **(k) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (c), (d), (e) or (g) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(h)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **(l) Condition to redemption, substitution or variation of Subordinated Notes**

Any redemption, substitution, variation of the terms or purchase of Subordinated Notes in accordance with Condition 6(c), (d), (e), (f) or (i) is subject to the relevant Issuer obtaining the prior written consent of FINMA or any Successor Authority thereto provided that such consent is required at that time under applicable capital or solvency regulations to be obtained.

## **7. Taxation**

### **(a) Notes issued by ZF (Luxembourg) or ZF (UK)**

In the case of Notes issued by ZF (Luxembourg) or ZF (UK), all payments under the Trust Deed, the Notes and the Coupons will be made without withholding or deduction for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) unless such withholding or deduction is required by law and/or by agreement of the relevant Issuer or the Guarantor, as the case may be. In

such event, ZF (Luxembourg) or ZF (UK), as the case may be, will pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note or Coupon presented for payment:

- (i) in Luxembourg, in the case of Notes issued by ZF (Luxembourg);
- (ii) by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the United Kingdom (in the case of ZF (UK)) or Luxembourg (in the case of ZF (Luxembourg)) or Switzerland (in the case of payments made by ZIC) other than the mere holding of such Note or Coupon;
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day;
- (iv) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (x) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (y) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements or (z) is required to be made on a payment to an individual resident in Luxembourg in accordance with the provisions of the Luxembourg law dated December 23, 2005 introducing a withholding tax on interest paid to such Luxembourg resident individual;
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Note; or
- (viii) by or on behalf of a Noteholder or 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 EU.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

#### **(b) Notes issued by ZIC**

In the case of Notes issued by ZIC, all payments of principal and interest in respect of the Notes and Coupons issued by ZIC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) unless such withholding or deduction is required by law and/or by agreement of the Issuer or the Guarantor, as the case may be. In the event that ZIC or any person acting on its behalf is required by law to make any such withholding or deduction, ZIC will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) if Notes other than Restricted Notes are issued;



- (ii) presented for payment by or on behalf of a Noteholder or Couponholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Note or Coupon by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Note or Coupon;
- (iii) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (iv) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(a) above), except to the extent that the relevant holder would have been entitled to payment of an additional amount or recalculated interest if it had presented its Note or Coupon for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Note;
- (viii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to a Paying Agent in another Member State of the European Union;
- (ix) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder or Couponholder without such withholding or deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder or Couponholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder or Couponholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (x) if the payment could have been made without such withholding or deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

As used in the Conditions:

**“Guidelines”** means, together, the guideline “Interbank Loans” of September 22, 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the circular letter No. 15 (1-015-DVS-2007) of February 7, 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*) and the circular letter “Deposits” of July 26, 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

**“Non-Bank Rules”** means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

**“Permitted Non-Qualifying Lender”** means in respect of a Series of Restricted Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or

- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Restricted Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
  - (a) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
    - (A) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
      - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
      - (ii) irrespective of whether a request is made in accordance with paragraph (a)(A)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and
    - (B) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (a)(A)(i) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (a)(A)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and
  - (b) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Restricted Notes of the respective Series, and under any and all other existing or future Series of Restricted Notes, as the case may be, or similar instruments, between the issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

**"Permitted Non-Qualifying Lenders"** means in respect of a Series of Restricted Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

**"Qualifying Bank"** means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

**"Qualifying Lender"** means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

**"Restricted Notes"** means Notes issued by ZIC in accordance with Conditions 10(j) and 10(k).

**"Ten Non-Bank Rule"** means the rule that the aggregate number of Noteholders under a Series of Restricted Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

**"Twenty Non-Bank Rule"** means the rule that the aggregate number of the Issuer's lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Notes and Notes not classified as a taxable bond (*Anleihensobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

*Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Note at the current rate of 35 per cent. On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Note were made to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. In all other cases no withholding obligation would arise under the proposed new law.*

## 8. Prescription

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. Events of Default

### (a) Senior Notes

This Condition 9(a) is only applicable to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (subject, in the case of the happening of any of the events set out in Conditions 9(a)(ii), (iii), (v), (vi), (vii), (ix) and (x) (to the extent that it applies to Conditions 9(a)(v), (vi), (vii) and (x)) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases to the Trustee having been indemnified and/or secured to its satisfaction), give notice (the “**default notice**”) in writing to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) that the Notes are immediately due and repayable if any of the following events (“**Events of Default**”) shall have occurred and be continuing:

- (i) there is a failure by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (ii) a default is made by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) in the performance or observance of any other covenant, condition or provision contained in the Trust Deed or in the Notes and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Notes) and (except where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or ZIC, as the case may be, of notice requiring such default to be remedied; or
- (iii) if any other indebtedness of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) for borrowed moneys is declared due and payable prior to the due date for payment thereof by reason of default on the part of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee or indemnity in respect of indebtedness for borrowed moneys given by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is not honoured when due and called upon or at the expiry of any applicable grace period, save in any such case where the relevant payment liability is being contested in good faith and by appropriate means, provided that no such event as aforesaid shall constitute an Event of Default unless the amount declared due and payable or not paid, either alone or when aggregated with other such amounts then declared due and payable or not paid by such Issuer or ZIC (where ZIC is not the relevant Issuer), shall amount to at least USD300,000,000 or its equivalent in other currencies; or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) be wound up or dissolved or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) stops payment or ceases business, or disposes (other than in the ordinary course of its business) of the whole or substantially the whole of its assets, otherwise than in any such case for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation; or
- (v) an encumbrancer or a person with similar functions appointed for execution (in Switzerland, a *Sachwalter* or *Konkursverwalter*) takes possession or a receiver is appointed of the whole or substantially the whole of the assets or undertaking of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) or a distress, execution or seizure before judgment is levied or enforced upon or sued out against any substantial part of the property, assets or revenues of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) unless discharged, stayed or removed within 60 days thereof (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or being contested in good faith and by appropriate means; or
- (vi) the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is insolvent or bankrupt or unable to pay its debts as and when they fall due or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) shall initiate or consent or become subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition, *Nachlassvertrag*, *faillite*, administration, examinership, or insolvency law or make a general assignment for the benefit of, or

enter into any composition with, its creditors or notifies the court of its financial situation in accordance with Article 725(2) of the Swiss Code of Obligations or enters into a moratorium (*Stundung*); or

- (vii) proceedings shall have been initiated against the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), under any applicable bankruptcy, composition, administration or insolvency law in respect of a sum claimed in aggregate of at least USD200,000,000 or its equivalent in other currencies unless such proceedings are discharged or stayed within a period of 60 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or are being contested in good faith and by appropriate means; or
- (viii) if the relevant Issuer is ZF (Luxembourg) or ZF (UK), if the Senior ZIC Guarantee ceases to be, or is claimed by ZIC not to be, in full force and effect; or
- (ix) where ZIC is not the relevant Issuer, the relevant Issuer (excluding ZF (UK)) ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by ZIC, unless such cessation is as a result of a Permitted Reorganisation or is previously approved either in writing by the Trustee or by an Extraordinary Resolution of Noteholders; or
- (x) any event occurs which under applicable laws has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above.

#### **(b) Subordinated Notes**

This Condition 9(b) is only applicable to Dated Subordinated Notes and Undated Subordinated Notes.

##### *(i) Events of Default for Dated Subordinated Notes and Undated Subordinated Notes*

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in nominal 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 the Trustee having been indemnified and/or secured to its satisfaction), give notice to the relevant Issuer and the Guarantor that the Notes are immediately due and repayable if any of the following events shall have occurred and be continuing:

- (a) subject to the provisions of Condition 4(d), there is a failure by the relevant Issuer to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (b) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or the Guarantor be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation.

##### *(ii) Proceedings for Winding-up*

If the Notes become due and repayable (whether pursuant to Condition 9(b)(i), Condition 6(c) or 6(d) or 6(e) or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the relevant Issuer and may take no further action to enforce the obligations of the relevant Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes.

If the Guarantor fails to pay to the Trustee (pursuant to the relevant Subordinated ZIC Guarantee and the Trust Deed) an amount claimed under the relevant Subordinated ZIC Guarantee, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Guarantor and may take no further action to enforce the obligations of the Guarantor under the relevant Subordinated ZIC Guarantee.

No payment in respect of the Notes may be made by the relevant Issuer pursuant to Condition 9(b)(i), nor will the Trustee accept the same, otherwise than during or after a winding-up of the relevant Issuer.

##### *(iii) Enforcement*

Without prejudice to Condition 9(b)(i) or (ii) above (including, for the avoidance of doubt, the Trustee's right to make a demand under the relevant Subordinated ZIC Guarantee), however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the relevant Issuer or, as the case may be, the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the relevant Issuer or, as the case may be, the Guarantor 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 relevant Issuer and the Guarantor 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.

(iv) *Rights of Noteholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or, as the case may be, the Guarantor or to prove in the winding-up of the relevant Issuer or, as the case may be, the Guarantor 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 Noteholders or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor 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.

(v) *Extent of Noteholders' remedy*

No remedy against the relevant Issuer or the Guarantor other than as referred to in this Condition 9(b), 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 relevant Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

In this Condition:

**“Permitted Reorganisation”** means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the relevant Issuer or, as the case may be, ZIC are transferred to and all the liabilities and obligations of the Issuer or, as the case may be, ZIC are assumed by the new or surviving entity either:
  - (i) automatically by operation of applicable law; or
  - (ii) the new or surviving entity assumes all the obligations of the Issuer or, as the case may be, ZIC, under the terms of the Trust Deed, and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, in place of the Issuer or, as the case may be, ZIC; and, in either case,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the relevant Issuer or (as the case may be) ZIC was subject immediately prior thereto.

**10. Exchange of Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Coupons and Talons**

**(a) Exchange of Bearer Notes for Registered Notes**

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an **“Exchange Request”**), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons and Talons appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate (and in the case of an NGN, effectuate) and deliver, or procure the authentication (and in the case of an NGN, effectuation) and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the date which is 40 days after the date on which any Temporary Global Note is issued (the **“Exchange Date”**).

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Bearer Global Note.

**(b) Exchange of interests in Registered Global Notes for Individual Registered Notes**

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances:  
(i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of

holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the relevant Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

**(c) Transfers of Registered Global Notes**

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor's nominee.

**(d) Transfers of interests in Reg. S Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the U.S. will only be made pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the U.S., and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

**(e) Exchanges and transfers of Registered Notes generally**

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the "**Applicable Procedures**").

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the relevant Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the relevant Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

**(f) Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 6(e), the relevant Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

**(g) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

**(h) Costs of exchange or registration**

The transfer of a Note will be effected without charge by or on behalf of the relevant Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

**(i) Replacement of 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 Agent, in the case of a Bearer Note or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

**(j) Restrictions on Transfer of Certain Notes**

(i) In the case of Notes issued by ZIC, if the applicable Final Terms designate the Notes as Restricted Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Notes will be issued as Registered Notes and may only be assigned, or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):

- (a) in whole or in part, if the Transfer is to a Qualifying Bank, or
- (b) in whole, but not in part (except for parts of Restricted Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

- (ii) A Noteholder may at any time require that the Issuer replaces such Noteholder’s certificate(s) representing the Restricted Notes with certificates in minimum denominations equal to the Restricted Note Minimum Denomination Amount specified in the applicable Final Terms.
- (iii) Restricted Notes may only be Transferred in amounts equal to the Restricted Note Transfer Amount specified in the applicable Final Terms.
- (iv) Any Transfer of a Restricted Note shall be recorded by the Registrar in the Register on production of:
  - (a) the relevant certificate representing the Restricted Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender: and
  - (b) such other evidence as the Issuer may require.

Any Transfer of a Restricted Note shall only be effective and shall only be recorded by the Registrar in the Register if such Restricted Note is Transferred in accordance with this Condition 10(j).

- (v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Notes to that other person, unless under such arrangement throughout the life of such arrangement:

- (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
- (b) the other person will have no proprietary interest in the benefit of the Restricted Notes or in any monies received by the Noteholder under or in relation to the Restricted Notes held by that Noteholder; and
- (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder's claims under its Restricted Notes and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to, the Restricted Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an interest under the Restricted Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

### **(k) Grants of Security**

If the applicable Final Terms provide that the Notes are Restricted Notes, then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
  - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
  - (b) require any payments to be made by the Issuer other than as required by the Restricted Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

### **11. Agent, Paying Agents, Transfer Agents and Registrar**

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The relevant Issuer and ZIC (where ZIC is not the relevant Issuer) are, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent or Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee; and
- (v) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) undertake that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) if legislation is enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) will



use reasonable efforts to make payments in respect of the Notes through a Paying Agent outside Switzerland, provided that the use of such Paying Agent outside Switzerland would eliminate any Swiss withholding tax that would otherwise apply to payments from the Issuer.

In addition, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Paying Agent is not, or ceases to be, a FATCA Compliant Entity, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the relevant Issuer will in respect of any Listed Swiss Franc Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

As used herein:

"**FATCA Compliant Entity**" means a person payments to whom are not subject to FATCA Withholding; and

"**FATCA Withholding**" means any amount required to be withheld or deducted pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions and any regulations and official guidance issued thereunder) pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

## 12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

## 13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) in Luxembourg, (iii) (in the case of Listed Swiss Franc Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the Financial Times in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and (in the case of (ii) above) the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Memorial C, Recueil des Sociétés et Associations* ("**Memorial C**").

In the case of Bearer Notes and Registered Notes, if and to the extent required by the Luxembourg law of January 11, 2008 relating to transparency obligations of issuers of securities, as amended, implementing Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as amended, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and in addition, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a notice will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee**

##### **(a) Single Noteholder**

In relation to any Restricted Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Conditions 14(b) shall not apply.

##### **(b) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Notes, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Notes issued by ZIC.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may (in relation to the Events of Default set out in Condition 9(a)(ii), (iii), (v), (vi), (vii) and (x) (to the extent it applies to Conditions 9(a)(v), (vi) and (vii)) determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the

jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of any other company in the place of the relevant Issuer as the principal debtor under the Trust Deed and the Notes and Coupons issued by the relevant Issuer. Notwithstanding the above, by subscribing to or purchasing the Notes, the Noteholders expressly consent to the substitution of the relevant Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including, except in the case of a substituted issuer domiciled in Luxembourg where appropriate, an irrevocable and unconditional guarantee by ZIC in terms substantially similar to those referred to in Condition 3(a) in respect of any Notes issued by the substituted issuer.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the relevant Issuer of a substitute issuer which has previously been approved by 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 action unless indemnified and/or secured to its satisfaction.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Act dated August 10, 1915 on commercial companies, as amended, are excluded in the case of Notes issued by ZF (Luxembourg).

## **15. Enforcement**

- (a) Subject to the provisions of Condition 9(b) in the case of Subordinated Notes, the Trustee may at any time, at its discretion and without notice, however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), take such proceedings against the relevant Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to 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 not less than 25 per cent in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (b) No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor 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.

## **16. Further Issues**

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **17. Governing Law and Submission to Jurisdiction**

- (a) The Trust Deed (other than the provisions relating therein to the Senior ZIC Guarantee and the Subordinated ZIC Guarantee which shall be governed by, and construed in accordance with the laws of Switzerland), the Notes, (other than the provisions relating to Subordinated Notes of Condition 2 which shall be governed by, and construed in accordance with, the laws of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes) and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The relevant Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes and the Coupons may be brought in such courts.
- (c) The relevant Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.

- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The relevant Issuer (other than ZF (UK)) has appointed Zurich Insurance plc, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance plc, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Notes only, the relevant Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders and the Couponholders to the additional jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.
- (h) Each of the Senior ZIC Guarantee and the Subordinated ZIC Guarantee are governed by, and shall be construed in accordance with, the laws of Switzerland. Any legal action or proceedings in respect of each Senior ZIC Guarantee or each Subordinated ZIC Guarantee shall be brought exclusively in the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

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

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

## TERMS AND CONDITIONS OF THE CAPITAL NOTES

*The following, save for the paragraphs in italics, are the Terms and Conditions of the Capital Notes which will be endorsed on each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by ZIC and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by ZIC and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to “Form of the Notes and the Capital Notes” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Capital Notes.*

This Capital Note is one of a Series (as defined below) of Capital Notes issued by Zurich Insurance Company Ltd (“ZIC” or the “Issuer”), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated May 17, 2013 made between, *inter alios*, the Issuer, Zurich Insurance Group Ltd (“ZIG”) and Citicorp Trustee Company Limited (the “Trustee”, which expression shall include any successor as trustee). ZIG is a party to the Trust Deed for the purposes of giving certain undertakings expressed to be given by it in these Terms and Conditions.

References herein to the “Capital Notes” shall be references to the Capital Notes of this Series and shall mean:

- (i) in relation to any Capital Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Global Note, all as defined in the Trust Deed), units of the lowest Specified Denomination in the Specified Currency; and
- (ii) in relation to any Capital Notes in definitive bearer form (“Definitive Bearer Notes”) issued in exchange for an interest or interests in a Global Note in bearer form (“Bearer Global Note”), units of the lowest Specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Reg. S Global Note, units of the lowest Specified Denomination in the Specified Currency.

The Final Terms for this Capital Note (or the relevant provisions thereof) are attached to or endorsed on this Capital Note and supplement these Terms and Conditions. References to the “applicable Final Terms” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Capital Note.

The Capital Notes and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “Agency Agreement” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Capital Notes as referred to in Condition 5(e)) dated May 17, 2013 and made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Banque Internationale à Luxembourg as listing agent (the “Luxembourg Listing Agent”), the registrars named therein (each, a “Registrar”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “Transfer Agents”, which expression shall include any additional or successor transfer agents) and the Trustee.

Definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Registered Notes do not have Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Capital Notes (the “Noteholders”) in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Capital Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Capital Notes together with any further Tranche or Tranches of Capital Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Capital Note is an unlisted Capital Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Capital Notes of that Series and such

Noteholder must produce evidence satisfactory to the Agent as to its holding of Capital Notes and as to identity. The Noteholders and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed and the applicable Final Terms, and are deemed to have notice of, and be bound by, the provisions of the Agency Agreement which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. Form, Denomination and Title

The Capital Notes are either in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) as specified in the applicable Final Terms and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Capital Note is a Fixed Rate Capital Note, a Floating Rate Capital Note each as defined in the applicable Final Terms, or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown in the applicable Final Terms.

This Capital Note is a Listed Swiss Franc Capital Note if it is denominated or payable in Swiss francs and listed on the SIX Swiss Exchange and the applicable Final Terms so state.

Each Listed Swiss Franc Capital Note will be represented exclusively by a Permanent Global SIS Note which will be deposited with SIX SIS AG, Olten, Switzerland (“**SIS**”), or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (with respect to any such Permanent Global SIS Note, SIS or such other intermediary, the “**Intermediary**”) on or prior to the original issue date of such Capital Note. As a matter of Swiss law, once the Permanent Global SIS Note has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Listed Swiss Franc Capital Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (the “**Intermediated Securities**”). The Permanent Global SIS Note will be exchangeable for definitive Capital Notes in whole but not in part only if the Swiss paying agent should, after consultation with the Issuer, deem the printing of definitive Capital Notes to be necessary or useful, or if the presentation of definitive Capital Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of Noteholders, or if the Swiss paying agent at any time at its discretion determines to have definitive Capital Notes issued; holders of Listed Swiss Franc Capital Notes will not have the right to effect or demand the exchange of the Permanent Global SIS Note representing such Listed Swiss Franc Capital Notes into, or delivery of, Notes in definitive or uncertificated form. If definitive Capital Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Listed Swiss Franc Capital Notes in such holders' securities accounts. As a matter of Swiss law, a holder of an interest in the Permanent Global SIS Note retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of the Capital Notes represented by such Permanent Global SIS Note in which such holder has an interest; provided, however, that, for so long as the Permanent Global SIS Note remains deposited with the Intermediary (i.e., for so long as the Capital Notes represented thereby constitute Intermediated Securities), the co-ownership interest is suspended and the Capital Notes represented thereby may only be transferred by the entry of the transferred Capital Notes in a securities account of the transferee. For so long as Capital Notes constitute Intermediated Securities, as a matter of Swiss law, (i) the records of the Intermediary will determine the number of Capital Notes held through each participant of the Intermediary and (ii) the holders of such Capital Notes will be the persons holding such Capital Notes in a securities account (*Effektenkonto*) that is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Notes for their own account in a securities account (*Effektenkonto*) that is in their name.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which will be delivered to the common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”). On or after the end of the period that ends 40 days after completion of the distribution of each Tranche of Capital Notes, as certified by the relevant Dealer, in the case of a non syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Coupons and Talons attached (i) if a Dissolution Event (as defined in Condition 9) occurs in respect of any Capital Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system

satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Capital Notes with a minimum denomination of EUR 100,000 (or the equivalent thereof in the currency in which such issue of Notes is denominated as determined on the date of issue of such Notes) and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the U.S. in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Note in registered form, without Coupons or Talons, (the “**Reg. S Global Note**”) which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Capital Notes in individual registered form (“**Individual Registered Notes**”) issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the U.S. Securities Act, together with the Reg. S Global Notes, are referred to herein as “**Reg. S Notes**”. Prior to expiry of the Distribution Compliance Period interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Individual Registered Notes from the date of issue may, if specified in the applicable Final Terms, be issued in reliance on Regulation S under the U.S. Securities Act.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The Issuer, the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable laws or as otherwise ordered by a court of competent jurisdiction or an official authority) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Capital Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Capital Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

References in these Terms and Conditions 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 (including SIS) approved by the Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

## 2. Status of the Capital Notes

The Capital Notes and the relative Coupons constitute direct, subordinated and unsecured obligations of the Issuer and rank *pari passu*, without any preference, among themselves. The claims of the holders of Capital Notes and relative Coupons rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer:

- (i) after the claims of any Senior Creditors (as defined below);
- (ii) *pari passu* with any subordinated obligations of the Issuer which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the Noteholders (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and
- (iii) prior to the claims of the holders of all classes of issued shares in the share capital of the Issuer.

*For the avoidance of doubt, the Issuer’s obligations under the subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust V and the Issuer’s obligations under the €143m 12 per cent Capital Notes and U.S.\$500m 8.250 per cent Undated Reset Capital Notes each constitute Parity Obligations.*

In the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer, there shall be payable in such voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings on each Capital Note, subject to the subordination provisions set out in this Condition 2, an amount equal to the principal amount of such Capital Note together with unpaid Deferred Interest (as defined in Condition 3(c)) (if applicable) and interest which has accrued up to, but excluding, the date of repayment.

Notwithstanding the preceding paragraph, if the applicable Final Terms specify that Solvency Deferred Interest Limitation is applicable, then the amount payable in respect of Deferred Interest in the circumstances described in such paragraph shall be reduced by an amount equal to the Relevant Excess Solvency Deferred Interest.

As used herein “**Senior Creditors**” means (i) Senior Creditors and holders of Subordinated Notes (each as defined in Schedule 1 Part A to the Trust Deed) and (ii) creditors of the Issuer in respect of a ZIC Subordinated Guarantee (as defined in the Trust Deed)

or in respect of other actual or contingent obligations (including claims of holders of insurance policies issued by the Issuer), whether outstanding at the Issue Date or subsequently incurred, other than any obligation as to which, in the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding, it is expressly provided that such obligation is *pari passu* with, or junior to, the Capital Notes and/or any Parity Obligations.

Subject to applicable law, neither the Trustee nor any 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 Capital Notes against any claim that the Issuer may have against the Noteholder and each such Noteholder shall, by virtue of being the Noteholder of any of the Capital Notes, be deemed to have waived all such rights of set-off.

No security of whatever kind is, or will at any time be, provided by the Issuer or any other person securing the rights of the Noteholders under the Capital Notes. No agreement may defeat the subordination pursuant to the provisions set out in this Condition 2 or shorten any applicable notice period in respect of the Capital Notes as provided in these Conditions. If the Capital Notes are redeemed in breach of Condition 6(a) (if applicable), (b), (c) or (d), the amounts so paid to any Noteholder must be repaid to the Issuer by such Noteholder irrespective of any agreement to the contrary, unless (x) the Issuer has been dissolved or (y) such amounts have been replaced by regulatory capital qualifying for the same regulatory (sub-) category or equivalent thereof or (z) if FINMA or any Successor Authority (each as defined below) applicable at the time has given its prior written consent (if necessary) to the redemption.

The subordination provisions of this Condition 2 which are governed by, and shall be construed in accordance with, the laws of Switzerland, are irrevocable.

As used herein:

“**FINMA**” means the Swiss Financial Market Supervisory Authority FINMA in Switzerland.

“**Relevant Excess Solvency Deferred Interest**” means the amount by which any Relevant Solvency Deferred Interest which has not been settled through the application of the APM Settlement exceeds 25 per cent. of the Aggregate Nominal Amount of the Capital Notes (then outstanding).

“**Relevant Solvency Deferred Interest**” means Solvency Deferred Interest arising only by reason of limb (iii) of the definition of Solvency Event.

“**Successor Authority**” means any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Issuer and/or the Zurich Insurance Group.

### **3. Deferral or Cancellation of Interest**

#### **(a) Solvency Event**

Condition 3(a) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Solvency Event is applicable.

If Solvency Event is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date the Issuer shall (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to a Solvency Event) defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to a Solvency Event) cancel such Interest Payment, and shall defer or, as applicable, cancel the relevant Solvency Shortfall if, were the Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur, in any such case except that the Issuer will not be required to defer or, as applicable, cancel such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or Solvency Shortfall cancelled pursuant to this Condition 3(a) and, for the avoidance of doubt, such amount shall not constitute Deferred Interest (as defined below) hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment or Solvency Shortfall deferred pursuant to this Condition 3(a) is referred to herein as “**Solvency Deferred Interest**”.

The Issuer shall give notice of any such deferral or cancellation to the Trustee (together with the certificate of the occurrence of a Solvency Event and as to the quantum of any Solvency Shortfall referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.



A certificate as to the occurrence of a Solvency Event, as to the quantum of any Solvency Shortfall, signed by two Directors of the Issuer or ZIG, shall, in the absence of manifest error be treated and accepted by the Issuer, the Noteholders, the Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

**“Applicable Regulations”** means, with respect to the Relevant Entity at any time, the regulatory capital requirements applicable to such entity and/or its group at such time including, but not limited to, Swiss insurance regulatory law (for group solvency or single solvency and/or financial conglomerate purposes, as applicable) and/or applicable generally recognised administrative practice, if any, of FINMA or any Successor Authority.

**“Assets”** means, where ZIC is specified in the relevant Final Terms as being the Relevant Entity, the Issuer’s consolidated total assets and, where ZIG is specified in the relevant Final Terms as being the Relevant Entity, ZIG’s consolidated total assets, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Determination Date”** means, in respect of an Interest Payment Date, the 20<sup>th</sup> business day in Zurich preceding such date.

**“Interest Payment”** means, with respect to an Interest Payment Date, the interest scheduled to be paid on such Interest Payment Date.

**“Liabilities”** means, where ZIC is specified in the applicable Final Terms as being the Relevant Entity, ZIC’s consolidated total liabilities and, where ZIG is specified in the applicable Final Terms as being the Relevant Entity, ZIG’s consolidated total liabilities, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Relevant Entity”** means ZIC and/or ZIG, as specified in the applicable Final Terms.

A **“Restricted Payments Provision”** in any obligation is a provision in such obligation or any related transaction agreements providing for complete or partial prohibitions as to payment of distributions (or similar payments) on other securities that rank *pari passu* with, or junior to, such obligations for so long as distributions (or similar payments) on such obligations remain unpaid.

A **“Solvency Event”** shall be deemed to have occurred as at any date if as at such date:

- (i) the Relevant Entity does not at such date have appropriate funds to cover the required minimum solvency margin or meet any other required level of own funds regulatory capital (or a comparable term in case of a change in Applicable Regulations) in accordance with Applicable Regulations and a deferral or, as applicable, cancellation of interest is required under the Applicable Regulations; or
- (ii) the Relevant Entity is unable to pay its debts owed to its Senior Creditors (as defined in Condition 2(a) or 2(b), as the case may be, if ZIC is specified as Relevant Entity in the applicable Final Terms, and as defined below if ZIG is specified as Relevant Entity in the applicable Final Terms) as they fall due; or
- (iii) the Relevant Entity’s Assets do not exceed its Liabilities (each as defined above) (other than liabilities to persons who are not Senior Creditors); or
- (iv) FINMA or a Successor Authority has given (and not withdrawn) notice to the Relevant Entity that it has determined, in view of the financial and/or capital position of the Relevant Entity, that in accordance with Applicable Regulations at such time, the Issuer must take specified action in relation to payments on the Capital Notes; or
- (v) the Relevant Entity’s auditors cannot give a confirmation pursuant to Article 725(2) of the Swiss Code of Obligations or any equivalent provision under applicable laws.

If ZIG is specified as the Relevant Entity in the Final Terms, **“Senior Creditors”** means (i) all unsubordinated creditors of ZIG; and (ii) all creditors of ZIG whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise.

**“Solvency Shortfall”** means the portion of interest that would cause a Solvency Event to occur or be continuing.

If Solvency Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (**“other obligations”**) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest

Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of solvency event provisions with respect to such other obligations.

If payment of an Interest Payment is deferred or, as applicable, cancelled pursuant to Condition 3(a), the Issuer shall not have any obligation to pay such Interest Payment on the relevant Interest Payment Date and the failure to pay such Interest Payment shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

#### **(b) Mandatory Cancellation**

Condition 3(b) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Trigger Event is applicable.

If Trigger Event is specified in the applicable Final Terms as being applicable and a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the Issuer shall cancel the amount (the **“Trigger Event Shortfall”**) by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time. The Issuer shall give notice of such cancellation and of the relevant Trigger Event Shortfall to the Trustee (together with the certificate referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.

Noteholders shall have no entitlement to, or claim for, any Trigger Event Shortfall cancelled pursuant to this Condition 3(b) and, for the avoidance of doubt, such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

As used herein:

A **“Trigger Event”** shall be deemed to have occurred at any Determination Date if each of the following has occurred:

- (i) ZIG’s Trailing Four Quarters Consolidated Net Income Amount is not a positive amount for the four fiscal quarter periods ending on the last day of ZIG’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date; and
- (ii) ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of ZIG’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount at the end of the tenth fiscal quarter preceding ZIG’s most recently completed fiscal quarter before that Determination Date; and
- (iii) ZIG’s Adjusted Capital Amount as at the end of ZIG’s most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount at the end of the tenth fiscal quarter preceding ZIG’s most recently completed fiscal quarter before that Determination Date.

A certificate as to the occurrence or continuation of a Trigger Event and as to the quantum of the relevant Trigger Event Shortfall, signed by two Directors of the Issuer or ZIG and which sets out the Issuer’s or ZIG’s determinations of the Trailing Four Quarters Consolidated Net Income Amount, the Adjusted Consolidated Shareholders’ Equity Amount and the Adjusted Capital Amount as at the dates aforesaid and that as a result, a Trigger Event shall have occurred shall, in the absence of manifest error, be treated and accepted by the Issuer, ZIG, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

**“Adjusted Capital Amount”** means the Adjusted Consolidated Shareholders’ Equity Amount plus Qualifying Mandatory Convertibles.

**“Adjusted Consolidated Shareholders’ Equity Amount”** means, as at any quarter end and subject to the adjustments referred to below, ZIG’s total consolidated shareholders’ equity excluding preferred securities, net unrealised gains (or losses) on investments and cumulative translation adjustments, as reflected on ZIG’s consolidated IFRS balance sheets as at such quarter end.

**“IFRS”** means, at any date and for any period, International Financial Reporting Standards as applied to, and reflected in, ZIG’s consolidated financial statements as at the relevant dates and for the relevant periods.

**“New Capital Amount”** means, at any date, the net proceeds received by the Issuer or ZIG from new issuances (whether in one or more public offerings or private placements) and/or sales of ordinary shares, during the period commencing on the 180th day prior to such date and designated by the Issuer or ZIG at or before the time of issuance as available to pay Interest Payments on the Capital Notes.

**“Qualifying Mandatory Convertible”** means, securities of ZIG or a subsidiary thereof (other than ordinary shares of ZIG) with (i) no prepayment obligation in respect of such securities on the part of the issuer thereof, whether at the election of the holders or

otherwise, and (ii) a requirement that such securities convert into ordinary shares of ZIG within three years from the date of their issuance at a conversion ratio within a range established at the time of issuance of such securities.

**“Trailing Four Quarters Consolidated Net Income Amount”** means, for any fiscal quarter and subject to the adjustments referred to below, the sum of ZIG’s consolidated net income for the four fiscal quarters ending as at the last day of such fiscal quarter.

If the conditions for a Trigger Event are satisfied for any Determination Date, the cancellation of interest will continue until that Trigger Event has been deemed cured in the manner described below on a subsequent Determination Date. In addition, if additional Trigger Events are triggered on one or more subsequent Determination Dates before the initial Trigger Event is deemed cured (as described below), the cancellation of interest on the Capital Notes will continue until each such subsequent Trigger Event has been deemed cured (as described below). After one or more Trigger Events have occurred or are continuing, the Issuer may only begin to pay interest on the Capital Notes on any Interest Payment Date if on the relevant Determination Date (i) no new Trigger Event has occurred and (ii) all of the previous Trigger Events have been deemed cured (as described below).

A Trigger Event that was triggered on a prior Determination Date (the **“Previous Determination Date”**) will be deemed to be cured as at a later Determination Date if ZIG’s Adjusted Capital Amount as at its most recently completed fiscal quarter before that later Determination Date has increased, or has declined by less than 10 per cent, as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of the originally specified benchmark fiscal quarter for that Previous Determination Date. All financial terms used in this Condition 3(b) will be determined in accordance with IFRS. If because of a change in IFRS that results in a change in accounting principles or a restatement, ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at a fiscal quarter end is higher or lower than it would have been absent such change, then for the purpose of the calculation described in the preceding sentence, ZIG’s Adjusted Consolidated Shareholders’ Equity Amount will be calculated on a pro forma basis as if such change had not occurred. Upon satisfaction of the conditions described in this paragraph, the Issuer will provide a certificate, signed by two Directors of the Issuer, certifying that such conditions have been met and the Trigger Event has been deemed to be cured and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

If Trigger Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (**“other obligations”**) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of a Trigger Event Occurrence (as defined below) with respect to such other obligations.

A **“Trigger Event Occurrence”** with respect to any obligation is the mandatory deferral or cancellation of the payment of any distributions (or similar payments) on that obligation as a result of any event or condition specified in the provisions of such obligation or any related transaction agreements, including the suspension or the cancellation of the payment of any distributions (or similar payments) from any source other than a specific source of funds, but excluding any such mandatory deferral or cancellation purely as a result of solvency event provisions analogous to those in Condition 3(a).

### **(c) Optional Deferral or Cancellation**

Condition 3(c) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Optional Non-Payment is applicable.

In addition to the obligation of the Issuer to defer or, as applicable, cancel interest in certain circumstances set out in, and in accordance with, Conditions 3(a) and 3(b), the Issuer may elect (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to Optional Non-Payment) to defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to Optional Non-Payment) to cancel in whole or in part any Interest Payment which is otherwise scheduled to be paid on an Optional Interest Payment Date (as defined below) by giving written notice of such election to the Trustee, the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 3(c) but without prejudice to the provisions of Conditions 3(a) and 3(b), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Capital Notes under Applicable Regulations (as defined below) the Issuer will only be allowed to exercise its option under this Condition 3(c) to defer payments of interest on the Capital Notes on such Optional Interest Payment Date for up to five years (a **“Fixed Term Deferred Interest Payment”**), and the Issuer will only be allowed to exercise its option under this Condition 3(c) to cancel payments of interest on the Capital Notes on such Optional Interest Payment Date and each Optional Interest Payment Date falling in the period of five years following such first Optional Interest Payment Date, but not thereafter. Any Fixed Term Deferred Interest Payment shall fall due on the relevant APM Deferred Settlement Date, or, as applicable, Cash Deferred Settlement Date or, if earlier, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or, as appropriate, any part thereof cancelled pursuant to this Condition 3(c) and, for the avoidance of doubt, such sum shall not constitute Deferred Interest hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment, or, as appropriate, any part thereof, deferred pursuant to this Condition 3(c), is referred to herein as **“Optionally Deferred Interest”** and, together with Solvency Deferred Interest, as **“Deferred Interest”**.

If payment of an Interest Payment, or as appropriate, any part thereof, is deferred pursuant to Condition 3(c), the Issuer shall not have any obligation to pay such Interest Payment, or as appropriate, part thereof on the relevant Optional Interest Payment Date and the failure to pay such Interest Payment, or as appropriate, part thereof shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

As used above, **“Optional Interest Payment Date”** means any Interest Payment Date in respect of which during the six month period ending thereon, but subject as provided in the next paragraph, (i) no dividend has been declared or paid on any class of share capital of ZIG; and (ii) (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest, distribution or other payments (including payment for the purpose of a redemption or repurchase) have been made on any securities issued (or guaranteed) by (a) ZIG as the relevant Issuer or Guarantor and the claims in respect of such securities or, as applicable, guarantee rank junior to, or *pari passu* with, the claims of Noteholders; or (b) ZIG (unless, in each case aforesaid, such payment was compulsory on such securities or required due to the repayment of such securities).

Notwithstanding the immediately preceding paragraph, any Interest Payment Date which would otherwise not be an Optional Interest Payment Date by reason of one or more of the following events shall be treated as an Optional Interest Payment Date:

- (aa) repurchases, redemptions or other acquisitions of ZIG’s ordinary shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of ZIG’s ordinary shares (or securities convertible into or exercisable for ZIG’s ordinary shares) as consideration in an acquisition transaction entered into prior to the applicable deferral period;
- (bb) as a result of any exchange or conversion of any class or series of ZIG’s ordinary shares (or any capital stock of any of its subsidiaries) for any class or series of common stock or of any class or series of its indebtedness (or for the indebtedness of any of its subsidiaries);
- (cc) the purchase of fractional interests in ZIG’s ordinary shares, pursuant to the conversion or exchange provisions of such ZIG ordinary shares, or the security being converted or exchanged;
- (dd) any declaration of a dividend in connection with any shareholders’ rights plan, or the issuance of rights, stock or other property under any shareholders’ rights plan, or the redemption or repurchase of rights pursuant thereto;
- (ee) any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock; or
- (ff) payments of interest on any Parity Obligations and the Capital Notes rateably and in proportion to the respective amounts as at such Interest Payment Date of (y) accrued and unpaid interest on such Parity Obligations, on the one hand, and (z) if applicable, Deferred Interest and any other accrued and unpaid interest on the Capital Notes, on the other hand.

**(d) Payment Restrictions following Deferral or Cancellation**

In the case of a Capital Note where the applicable Final Terms specify that this Condition 3(d) applies but not otherwise, the Issuer and ZIG agree that if an Interest Payment has not been paid in full for an Interest Period by reason of Conditions 3(a), (b) or (c), then, subject as provided below, in the case of a Capital Note where the applicable Final Terms provide that it is Cumulative with respect to events specified under Conditions 3(a), or (c), for so long as any such Deferred Interest remains outstanding and, in the case of a Capital Note where the applicable Final Terms provide that it is Non-Cumulative with respect to events specified under Conditions 3(a) or (c), and in the case of a Capital Note where the relevant Interest Payment has been cancelled by reason of Condition 3(b), until the next payment of an Interest Payment in full, and in each case subject as provided below, (v) ZIG will not, nor will it permit any of its subsidiaries to, make any discretionary payment of principal, interest or premium, if any, on or repay, purchase or redeem any ZIG Subordinated Debt (as defined below); (w) ZIG will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, any ZIG Subordinated Debt; (x) ZIG will not, and will not permit any of its subsidiaries to, redeem, purchase or acquire, or make a liquidation payment with respect to, any of ZIG’s ordinary shares and any of its other capital stock that may then exist; (y) the Issuer will not, nor will it permit any of its subsidiaries to redeem any of its securities that rank *pari passu* with, or junior to, the Capital Notes; and (z) the Issuer will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, the Capital Notes.

As used herein **“ZIG Subordinated Debt”** means obligations of ZIG which rank or are expressed to rank junior to any senior, unsubordinated obligations of ZIG.

The restrictions set out above in this Condition 3(d) shall not apply to:

- (i) repurchases, redemptions or other acquisitions of ZIG's ordinary shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of ZIG's ordinary shares (or securities convertible into or exercisable for ZIG's ordinary shares) as consideration in an acquisition transaction entered into prior to the applicable deferral period;
- (ii) as a result of any exchange or conversion of any class or series of ZIG's ordinary shares (or any capital stock of any of its subsidiaries) for any class or series of common stock or of any class or series of its indebtedness (or for the indebtedness of any of its subsidiaries);
- (iii) the purchase of fractional interests in ZIG's ordinary shares, pursuant to the conversion or exchange provisions of such ZIG ordinary shares, or the security being converted or exchanged;
- (iv) any declaration of a dividend in connection with any shareholders' rights plan, or the issuance of rights, stock or other property under any shareholders' rights plan, or the redemption or repurchase of rights pursuant thereto;
- (v) any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock; or
- (vi) payments of interest on any Parity Obligations and the Capital Notes rateably and in proportion to the respective amount of (aa) accrued and unpaid interest on such Parity Obligations, on the one hand, and (bb) if applicable, Deferred Interest and any other accrued and unpaid interest on the Capital Notes, on the other hand.

Further, the restrictions in (y) and (z) above shall not apply in the cases of (i) a Trigger Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a similar mandatory deferral or cancellation feature, (ii) where Intention Statement is applicable and the securities otherwise ranking *pari passu* with the Capital Notes themselves contain a Commercially Reasonable Efforts provision, (iii) a Solvency Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a substantially similar solvency event, (iv) interest becoming mandatorily due on such securities due to a provision analogous to provisions in Condition 3(e) below or otherwise where the terms of such securities do not permit the deferral of interest, or (v) at maturity of such securities. In the event of any of (i) to (iv) of this paragraph being applicable, the Issuer and ZIG will each provide a certificate signed by two Directors to the Trustee, the Agent and the Noteholders certifying which of (i) to (iv) above applies and that, as a result, the restrictions in (y) and (z) shall not apply which the Trustee shall rely on absolutely without liability to any person.

For the avoidance of doubt, Deferred Interest does not itself bear interest.

#### **(e) Settlement of Deferred Interest**

If the applicable Final Terms specify that Cash Settlement is applicable, the Issuer may (subject as provided below) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to pay in cash in whole or in part any Deferred Interest. However, any outstanding Deferred Interest will (subject as provided below) become immediately due and payable in cash in full (or in the case where limb (iv) of the definition of APM Deferred Settlement Date is specified as applying as part of the definition of Cash Deferred Settlement Date, on a proportionate basis) upon the Cash Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, Deferred Interest shall only be due and payable if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given (if such approval is required under Applicable Regulations at the relevant time). If on the Cash Deferred Settlement Date no prior written approval as aforesaid has been given (if such approval is required under Applicable Regulations at the relevant time), the relevant Deferred Interest will be due and payable promptly following the obtaining of such written approval (if such approval is required under Applicable Regulations at the relevant time) and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**Cash Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

If the applicable Final Terms specify that APM Settlement is applicable, the Issuer and ZIG may (subject as provided below in relation to Deferred Interest) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to use their commercially reasonable efforts to satisfy in whole or in part any Deferred Interest utilising the APM (as defined below) (subject to the limitations and conditions applicable to the APM) and, unless Deferred Interest has already been satisfied pursuant to the APM or cancelled in accordance with the applicable Final Terms, the Issuer and ZIG shall (subject as provided below in relation to Deferred Interest) use their commercially reasonable efforts to apply the APM (subject to the limitations and conditions applicable to the APM) to

satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Deferred Interest upon the APM Deferred Settlement Date (as defined below).

If the applicable Final Terms specify that APM Settlement is applicable in respect of Relevant Solvency Deferred Interest only, the Issuer and ZIG may (subject as provided below in relation to Relevant Solvency Deferred Interest) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to use their commercially reasonable efforts to satisfy in whole or in part any Relevant Solvency Deferred Interest utilising the APM (as defined below) (subject to the limitations and conditions applicable to the APM) and, unless Relevant Solvency Deferred Interest has already been satisfied pursuant to the APM or cancelled in accordance with the applicable Final Terms, the Issuer and ZIG shall (subject as provided below in relation to Deferred Interest) use their commercially reasonable efforts to apply the APM (subject to the limitations and conditions applicable to the APM) to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Relevant Solvency Deferred Interest upon the APM Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, the Issuer and ZIG will only be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, as aforesaid if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given. If on the APM Deferred Settlement Date no prior written approval as aforesaid has been given, the Issuer and ZIG shall be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, promptly following the obtaining of such written approval and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**APM Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

A certificate as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the Issuer or ZIG, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Noteholders, the Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

"**APM Deferred Settlement Date**" means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the following dates:

- (i) the date on which the Capital Notes are called for redemption pursuant to Condition 6 or substituted or varied pursuant to Condition 6(e);
- (ii) the date upon which a dividend is next declared or paid on any class of share capital of ZIG;
- (iii) (A) as soon as practicable after cash proceeds representing the full amount of Deferred Interest or Relevant Solvency Deferred Interest, as applicable, have been realised from the APM which will be implemented following the declaration or payment by ZIG of any dividends or other payments (including any nominal value reduction under Swiss law) on any of its ordinary shares or on any of its other capital stock that may then exist, except in the circumstances described in subparagraphs (i) to (v) of the fourth paragraph of Condition 3(d) or (B) in the event that the Ordinary Share Issuance Threshold, as applicable, has been met or a Market Disruption Event has occurred, in each case prior to the realisation of the full amount of Deferred Interest or Relevant Solvency Deferred Interest, as applicable, from such APM, in an amount equal to the actual cash proceeds realised at the time such threshold has been met or such Market Disruption Event has occurred, as applicable;
- (iv) the Interest Payment Date next following a full or partial payment of current or deferred interest on any Parity Obligation (except for any such current or deferred interest payment of which is compulsory in accordance with the terms of the relevant Parity Obligation (including as a result of the maturity of such obligation)), in which case the relevant proportion shall be equal to the result from the division of the amount of the full or partial payment actually paid on the Parity Obligation by the outstanding amount (current or deferred) of the payment to which such full or partial payment relates that is payable on the Parity Obligation when such payment is made in full (for the avoidance of doubt, the terms of other obligations issued by the Issuer may be such as not to make them qualify as Parity Obligations specifically for these purposes);
- (v) the date on which the Issuer is dissolved pursuant to Article 736 of the Swiss Code of Obligations (other than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); or
- (vi) if none of the events referred to in (i), (ii), (iii), (iv) or (v) above have already occurred and the applicable Final Terms so provide, upon expiration of the time period specified in the applicable Final Terms following the date upon which deferral of the relevant Deferred Interest or Relevant Solvency Deferred Interest commenced.

"**Cash Deferred Settlement Date**" means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the dates specified in paragraphs (i), (ii), (v) and, if so specified in the applicable Final

Terms, (iv) and/or (vi) of the definition of “APM Deferred Settlement Date” above. If limb (vi) of the definition of APM Deferred Settlement Date is specified in the applicable Final Terms as being applicable in the context of the definition of either APM Deferred Settlement Date or Cash Deferred Settlement Date and the Issuer and ZIG become obliged to pay or, as appropriate, use their commercially reasonable efforts to satisfy Deferred Interest by way of the APM, as a result of limb (vi) of the definition of APM Deferred Settlement Date, then solely in respect of such Interest Payment and without prejudice to Condition 2, the Capital Notes rank senior to any existing or future obligations of the Issuer (“**other obligations**”) that would otherwise have ranked pari passu with the Capital Notes, if and to the extent payment of such Deferred Interest would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of interest being outstanding with respect to such other obligations.

*In relation to Optionally Deferred Interest or Solvency Deferred Interest, if limb (vi) above is not specified in the applicable Final Terms as being applicable and if none of the events in limb (i) to (v) of such definition take place prior to the date specified in the applicable Final Terms for this purpose following the Interest Payment Date on which such Optionally Deferred Interest or Solvency Deferred Interest was originally deferred, the Issuer and ZIG intend to raise sufficient proceeds from the operation of the APM to satisfy any Optionally Deferred Interest or Solvency Deferred Interest.*

#### *Alternative Payment Mechanism*

The Issuer may elect at its discretion to satisfy on the relevant Interest Payment Date any Interest Payment that would otherwise have been due on such Interest Payment Date without application of Conditions 3(a), 3(b) and 3(c) with funds raised prior to the Interest Payment Date by way of an APM (as defined in Condition 3(e)).

If APM Settlement (as aforesaid) is applicable, the Issuer and ZIG shall satisfy their obligations in respect of Deferred Interest which falls due by way of the alternative payment mechanism (the “**APM**”), on the relevant APM Deferred Settlement Date, by the operation of Ordinary Share Settlement.

“**Ordinary Share Settlement**” means using cash proceeds from the sale, during the period of six months immediately prior to the relevant APM Deferred Settlement Date (the “**Relevant Period**”), of existing or newly issued ordinary shares of ZIG (the “**Payment Shares**”) which proceeds are made available by ZIG to the Issuer to make the relevant payment.

If APM Settlement (as aforesaid) is applicable, the Issuer shall (except in the case of a voluntary or involuntary insolvency, winding up, liquidation, dissolution or other similar proceedings of or against the Issuer) satisfy its obligations in respect of Deferred Interest only by operation of the APM in accordance with this Condition 3(e).

In the event of the Issuer and ZIG satisfying their obligations in respect of Deferred Interest by operation of the APM the Issuer shall certify, by delivering to the Trustee a certificate signed by two Directors of the Issuer, that in making use of such APM, the Issuer or ZIG was in compliance with its obligations under this Condition 3(e) which the Trustee shall rely on absolutely without liability to any person.

As used herein, “**Qualifying APM Securities**” means ordinary shares of ZIG (including, to the extent available, treasury stock purchased at least six months prior to the date of sale of such treasury stock).

#### *Restrictions relating to the APM*

Upon the Issuer and ZIG becoming obliged to use their commercially reasonable efforts to settle Deferred Interest using the APM pursuant to this Condition 3(e), the Issuer and ZIG will use their commercially reasonable efforts to satisfy such Deferred Interest by way of Ordinary Share Settlement. The Issuer and ZIG may only utilise the Ordinary Share Settlement to the extent that the number of Payment Shares used for the purposes of the APM in any 12-month period does not exceed 2 per cent (“**Ordinary Share Issuance Threshold**”) of ZIG’s outstanding share capital.

In the event of the Issuer and ZIG satisfying their obligations in respect of Deferred Interest by utilisation of Ordinary Share Settlement, the Issuer shall certify, by delivering to the Trustee a certificate signed by two Directors of the Issuer, that the Ordinary Share Issuance Threshold has not been exceeded which the Trustee shall rely on absolutely without liability to any person.

#### *Periods of Application of the APM*

Once the Issuer and ZIG have become obliged hereunder to use their respective commercially reasonable efforts to operate the APM to settle any Optionally Deferred Interest, Solvency Deferred Interest or Relevant Solvency Deferred Interest, the Issuer and ZIG shall continue to use their respective commercially reasonable efforts to raise sufficient proceeds from the operation of the APM for up to the period specified in the applicable Final Terms for this purpose following the relevant Deferred Settlement Date to the extent permitted under prevailing applicable regulatory criteria governing the Capital Notes. If there exists, in the Issuer’s reasonable opinion, a Market Disruption Event (as defined below), then the specified period described above shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Zurich business days.

If the applicable Final Terms provide that Intention Statement is applicable, then the applicable Final Terms shall specify the period for which the Issuer and ZIG intend to continue voluntarily to operate the APM if for any reason this has not occurred within the original period of 30 days from the Interest Payment Date in relation to which a Trigger Event is occurring.

If and to the extent that the Issuer and/or ZIG have not issued Qualifying APM Securities to settle any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, in full within such specified time period, or, if such time periods do not otherwise apply, upon expiration of the period specified in the applicable Final Terms for this purpose after the date on which such Deferred Interest or Relevant Solvency Deferred Interest, as applicable, was originally deferred, the Issuer's obligation with respect to such unsettled Deferred Interest or Relevant Solvency Deferred Interest, as applicable, will be cancelled.

As used herein **"Market Disruption Event"** means the occurrence or existence of any of the following events or sets of circumstances: (i) the trading in the shares of ZIG generally on any internationally recognised exchange on which such securities are traded has been suspended or the settlement of such trading generally shall have been materially disrupted; (ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in Switzerland, the U.S., the U.K. or the region comprised of member states of the European Union that adopted the euro in accordance with the Treaty establishing the European Community of March 25, 1957, as amended, as a result of which trading in shares of ZIG has been materially disrupted; (iii) there shall have occurred a change, event or circumstance that could be expected to result in a prospective change in Swiss taxation materially and adversely affecting the Issuer or ZIG, the ordinary shares of ZIG or the imposition of exchange controls by Switzerland; or (iv) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country, as a result of which trading in shares of ZIG has been materially disrupted. The Trustee shall be entitled to rely absolutely without liability to any person on a certificate given to it by two Directors of the Issuer as to the occurrence in the Issuer's reasonable opinion of a Market Disruption Event.

#### 4. Interest

##### (a) Interest on Fixed Rate Capital Notes

Each Fixed Rate Capital Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and (if applicable) on the Maturity Date or other date fixed for redemption if that does not fall on an Interest Payment Date.

Subject to Condition 3, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each calculation amount as specified in the applicable Final Terms (**"Calculation Amount"**) multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Conditions **"Fixed Day Count Fraction"** means:

- (i) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
  - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
  - (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if **"30/360"** is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and



**“Regular Period”** means:

- (i) in the case of Capital Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Capital Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Capital Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**“sub-unit”** with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

If the applicable Final Terms specify that a Mid Swap Rate is applicable to interest payable on Interest Payment Dates falling in a specified period (the **“Reset Period”**), the Capital Notes will bear interest during such Reset Period at a rate determined on the Reset Determination Date as being the aggregate of the Reset Margin and the Specified Mid Swap Rate. The Specified Mid Swap Rate shall be the mid market swap rate for the Specified Swap Duration, expressed as a percentage, which appears on the Mid Swap Rate Screen Page (or such other page as may replace that page, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates) at 11.00 a.m. (local time) on the Reset Determination Date. If swap rates do not appear on that page, the Specified Mid Swap Rate shall be determined by the Swap Rate Determination Agent (which, unless otherwise specified in the applicable Final Terms, shall be the Agent) on the basis of (i) quotations provided by the principal office of each of four major banks in the relevant swap market of the rates at which swaps in the applicable currency are offered by it at approximately 11.00 a.m. (local time) on the Reset Determination Date to participants in the relevant swap market for the period equal to the Specified Swap Duration; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

The Swap Rate Determination Agent will at, or as soon as practicable after, each time at which the Specified Mid Swap Rate is to be determined, determine the Specified Mid Swap Rate for the relevant Reset Period and notify the Agent as soon as practicable after determining the same.

The Agent will cause the Specified Mid Swap Rate to be notified to the relevant Issuer and any stock exchange on which the relevant Capital Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter.

If for any reason the Swap Rate Determination Agent at any time after the Issue Date defaults in its obligation to determine the Specified Mid Swap Rate, the Trustee shall determine the Specified Mid Swap Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and any such determination shall be deemed to have been made by the Swap Rate Determination Agent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(a), whether by the Swap Rate Determination Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Swap Rate Determination Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders or the Couponholders shall attach to the Agent, the Trustee or the Swap rate Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## **(b) Interest on Floating Rate Capital Notes**

### *(i) Interest Payment Dates*

Each Floating Rate Capital Note bears interest on its nominal amount from (and including) the Interest Commencement Date and such interest will be payable, subject to Condition 3, in arrear on either:

- (a) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or

- (b) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable, subject to Condition 3, in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Final Terms and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(b) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments in any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions “**TARGET system**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer, known as TARGET 2, System which was launched on November 19, 2007 or any successor thereto.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Capital Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Capital Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA 2006 Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Capital Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or the European inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Capital Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

*(iii) Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specify a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specify a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

*(iv) Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **“Interest Amount”**) payable on the Floating Rate Capital Notes in respect of each Calculation Amount for the relevant Interest Period.

Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if **“Actual/Actual”** or **“Actual/Actual/ISDA”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **“Actual/365 (Fixed)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if **“Actual/360”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth London Business Day (as defined below) after such determination. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Capital Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with paragraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

*(vii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Accrual of Interest**

Each Capital Note (or, in the case of the redemption of part only of a Capital Note, that part only of such Capital Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**(d) Recalculation of Interest**

If a tax deduction or withholding (collectively, a “**Tax Deduction**”) is required by law to be made by the Issuer in respect of any interest payable in respect of the Capital Notes and should Condition 7(a) be unlawful for any reason, the applicable Rate of Interest in relation to Interest Amounts payable for the period ending on that Interest Payment Date will, subject to the exceptions in Condition 7(b), be the Rate of Interest which would have otherwise been payable for the period ending on that Interest Payment Date divided by 1 minus the rate (expressed as a fraction of 1) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obligated to pay the relevant Interest Amount on that Interest Payment Date at the adjusted rate in accordance with this Condition 4(d) and (ii) make the Tax Deduction on the recalculated interest amount. Without prejudice to the foregoing, all references to a Rate of Interest in the Conditions shall be construed accordingly and all provisions in Condition 7 (other than Condition 7(a)) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a “**Recalculation of Interest**”).

## 5. Payments

### (a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction (whether by operation of law or agreement of the Issuer or its Agents and neither the Issuer or its Agents will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements), but without prejudice to the provisions of Condition 7. References to “**Specified Currency**” will include any successor currency under applicable law.

### (b) Presentation of Capital Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the U.S. (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Upon the date on which any Capital Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall, subject to Condition 3, be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Capital Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the U.S.. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Capital Notes represented by such Bearer Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the U.S. if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the U.S. with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the U.S. of the full amount of principal and interest on the Capital Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the U.S. is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under U.S. law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note will be made to the person in whose name such Capital Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except December 25 and January 1, and (ii) where in individual form, at the close of business on the 15th day (whether or not such 15th day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

#### **(c) Payment Day**

If the date for payment of any amount in respect of any Capital Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Final Terms, “**Payment Day**” means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Payment Business Centre specified in the applicable Final Terms and, in the case of Notes in individual form only, in the relevant place of presentation; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Additional Business Centre) or (2) in relation to Capital Notes denominated or payable in euro, a day on which the TARGET system is operating.

#### **(d) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Capital Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Early Redemption Amount (as specified in the applicable Final Terms) of the Capital Notes;
- (iii) the Optional Redemption Amount(s) (as specified in the applicable Final Terms) (if any) of the Capital Notes; and
- (iv) any premium and any other amounts which may be payable by the Issuer under or in respect of the Capital Notes.

Any reference in these Terms and Conditions to interest in respect of the Capital Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

#### **(e) Payments on Listed Swiss Franc Capital Notes**

The receipt by the Principal Paying Agent named in the applicable Final Terms (the “**Principal Paying Agent**”) from the Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Capital Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Capital Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the Issuer under such Capital Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

#### **(f) Definition**

In this Condition, “**euro**” means the single currency adopted by those states participating in European Monetary Union from time to time.

## 6. Redemption and Purchase

### (a) At Maturity

Each Capital Note which is specified in the applicable Final Terms as being a Dated Capital Note (“**Dated Capital Notes**”), unless previously redeemed or purchased and cancelled as specified below, will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest on the Maturity Date provided that, in the case of Dated Capital Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. In such circumstances, if a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each such Dated Capital Note will be redeemed by the Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the Issuer to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of redemption and for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Capital Note until such later date of redemption.

A certificate as to the occurrence of a Solvency Event and as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the Issuer or ZIG, shall, in the absence of manifest error be treated and accepted by the Issuer, the Noteholders, the Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any persons.

Each Capital Note which is specified in the applicable Final Terms as an Undated Capital Note (“**Undated Capital Notes**”) is perpetual and has no fixed maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 or Condition 9.

### (b) Redemption for Tax Reasons

The Capital Notes may, subject to Condition 6(h), be redeemed at the option of the Issuer prior to the first Optional Redemption Date in whole, but not in part, at any time (if this Capital Note is not a Floating Rate Capital Note) or on any Interest Payment Date (if this Capital Note is a Floating Rate Capital Note) at the relevant Regular Redemption Price or, as appropriate, Special Redemption Price referred to below, together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Capital Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified in the applicable Final Terms shall apply) or (b) change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Capital Notes (a “**Tax Law Change**”) (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply); and in the case of both (a) and (b) such obligation cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due;
- (ii) on the occasion of the next payment of interest due under the Capital Notes, the Issuer would not be able to obtain a tax deduction for the purposes of Swiss corporation tax for that payment as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified in the applicable Final Terms shall apply) or (b) a Tax Law Change (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply) and in the case of both (a) and (b) such cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate; or
- (iii) on the occurrence of a Recalculation of Interest which (a) arises as a result of a Tax Law Change, in which case the Regular Redemption Price specified in the applicable Final Terms shall apply or (b) arises otherwise than as a result of a Tax Law Change, in which case the Special Redemption Price specified in the applicable Final Terms shall apply; and in the case of both (a) and (b) such Recalculation of Interest cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than



90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due.

The Trustee is under no obligation to ascertain whether any of the events described in this Condition or any event which could lead to the occurrence of, or could constitute any such event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such event has occurred.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to such effect and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

In these Conditions, “**Relevant Jurisdiction**” means Switzerland.

### **(c) Redemption for Other Reasons**

The Capital Notes may, subject to Condition 6(h), be redeemed at the option of the Issuer prior to the first Optional Redemption Date in whole, but not in part, at any time (if this Capital Note is not a Floating Rate Capital Note) or on any Interest Payment Date (if this Capital Note is a Floating Rate Capital Note) (provided that the Issuer shall not have the right to redeem the Capital Notes following an Accounting Event or a Capital Event (each as defined below) if such right of redemption would cause a Regulatory Event) at the Regular Redemption Price or the Special Redemption Price, as specified in the applicable Final Terms, together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest on giving not less than 30 nor more than 60 days’ notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) if so specified in the applicable Final Terms, an Accounting Event has occurred and is continuing; or
- (ii) if so specified in the applicable Final Terms, a Capital Event has occurred and is continuing; or
- (iii) if so specified in the applicable Final Terms, a Regulatory Event has occurred and is continuing.

As used herein:

“**Accounting Event**” means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that obligations of the Issuer in respect of the Capital Notes must not or must no longer be recorded under the Initial Accounting Treatment Methodology specified in the applicable Final Terms (either “**liabilities**” or “**equity**”), (being the presentation of the Capital Notes under IFRS as at the Issue Date) on the balance sheet of ZIG published in its annual consolidated financial statements pursuant to IFRS and this cannot be avoided by the Issuer or, as the case may be, ZIG taking such reasonable measures as the Issuer or ZIG (acting in good faith) deems appropriate. The Issuer will deliver the applicable opinion to the Trustee.

“**Capital Event**” means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Capital Notes, as such criteria are in effect on the Issue Date (the “**current criteria**”), which change has been confirmed in writing to the Issuer by such organisation and results in a lower equity credit being given to the Capital Notes as of the date of such change by such nationally recognised statistical rating organisation pursuant to its current criteria and the Issuer shall deliver such written notification of such nationally recognised statistical rating organisation to the Trustee.

“**Future Regulations**” means the solvency margin, regulatory capital or capital regulations (if any) which may be introduced in Switzerland (or if ZIC becomes domiciled for regulatory purposes in a jurisdiction other than Switzerland, such other jurisdiction) and which are applicable to ZIC, which would set out the requirements to be fulfilled by financial instruments in order to be eligible to be included in Tier Two (or equivalent) own funds regulatory capital.

“**Regulatory Event**” means, in respect of Undated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least upper additional capital (“*oberes ergänzendes Kapital*”) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or

- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (“*Kernkapital*”) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (“*Kernkapital*”) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (“*Kernkapital*”),

save, in each case above, where such non-qualification thereof applicable to the Capital Notes is only as a result of any applicable limitation on the amount of such capital.

“**Regulatory Event**” means, in respect of Dated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least lower additional capital pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or
- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (“*Kernkapital*”) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (“*Kernkapital*”) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (“*Kernkapital*”),

save, in each case above, where such non-qualification thereof applicable to the Capital Notes is only as a result of any applicable limitation on the amount of such capital.

“**SPICO**” means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen* — AVO) of November 9, 2005, as amended.

“**Special Event**” means any of an Accounting Event, a Capital Event or a Regulatory Event or any combination of the foregoing;

“**Tier 1 Capital**” means core capital (“*Kernkapital*”) pursuant to Art. 48 SPICO.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the circumstances described in the definitions of Accounting Event, Capital Event or Regulatory Event (as appropriate) have occurred and that, where such Special Event requires reasonable measures as the Issuer or, as the case may be, ZIG may deem appropriate to be taken, the relevant Special Event cannot be avoided by the Issuer or, as the case may be, ZIG taking such measures and the Trustee shall be entitled to accept such certificate as sufficient evidence that the circumstances described in the relevant Special Event apply, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event has occurred.

#### **(d) Redemption at the Option of the Issuer**

Subject to Condition 6(h), the Issuer may, having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), written notice to the Trustee and the Agent,

(which notices shall be irrevocable), redeem all but not some only of the Capital Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest.

#### **(e) Substitution or Variation**

If any of the events described in Condition 6(b) or 6(c) has occurred and is continuing, then the Issuer may, subject to Condition 6(h), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(e) have been complied

with and having given not less than seven days' written notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Capital Notes for, or vary the terms of the Capital Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(e) being complied with and subject further to the receipt by the Trustee of a certification by the Directors of the Issuer referred to below) agree to such substitution or variation. In connection therewith, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, all applicable Deferred Interest (if any) will be satisfied by operation of the APM or otherwise, as applicable.

Upon the expiry of such notice, the Issuer shall either vary the terms of, or substitute, the Capital Notes in accordance with this Condition 6(e), as the case may be. The Trustee shall not be obliged to participate in any substitution or variation of the Capital Notes for any proposed alternative Qualifying Securities if the terms of the proposed alternative Qualifying Securities would impose, in the Trustee's opinion, more onerous obligations on it.

As used herein, "**Qualifying Securities**" means securities:

- (a) having terms (including terms providing for deferral and/or cancellation of payment of interest and/or principal) that are not materially less favourable to an investor than the terms of the Capital Notes (as reasonably determined by the Issuer after consulting an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the Issuer or issued by another member of the Zurich Insurance Group with a guarantee by the Issuer, such that investors have the same material rights and claims as provided by the Capital Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Capital Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Capital Notes; and
- (d) containing terms which preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of and amounts payable on, such redemption; and
- (e) which do not contain any terms providing for loss absorption through principal write-down or conversion to ordinary shares, unless the triggers are objective and measurable; and
- (f) listed on an internationally recognised stock exchange, if the Capital Notes were listed prior to such substitution or variation.

In addition, any substitution or modification is subject to (A) all interest amounts, including Deferred Interest, and any other amount payable under the Capital Notes which, in each case, has accrued to Noteholders and has not been paid, being satisfied in full on or prior to the date hereof; (B) compliance with Condition 6(h); (C) the substitution or variation not itself giving rise to a change in any published rating of the Capital Notes in effect at such time as confirmed in writing by the rating organisations who have given such published rating of the Capital Notes previously; (D) the substitution or variation not triggering the right on the part of the Issuer to redeem the Capital Notes pursuant to Condition 6(b) or 6(c); and (E) certification by two Directors of the Issuer that the securities in question are "**Qualifying Securities**" in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

In connection with any substitution or variation as indicated above, the Issuer will comply with the rules of any stock exchange or other relevant authority on which the Capital Notes are then listed or admitted to trading.

#### **(f) Purchases**

The Issuer or any of its Subsidiaries (as such term is defined in the Trust Deed) may, subject to Condition 6(h) and, in the case of Restricted Capital Notes subject to Condition 10(j), at any time purchase Capital Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Capital Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

#### **(g) Cancellation**

All Capital Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of

redemption). All Capital Notes so cancelled (together in the case of Definitive Bearer Notes with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

#### **(h) Conditions to Redemption, Substitution, Variation and Purchase**

The Issuer may only redeem a Capital Note, or substitute or vary it in accordance with Condition 6(e) (and the persons referred to in Condition 6(f) may only purchase a Capital Note) if FINMA or any Successor Authority has given (and has not subsequently withdrawn) its consent to the redemption (or substitution or variation or purchase as appropriate) to the extent such consent is required or otherwise has not objected to such redemption (or substitution or variation or purchase).

### **7. Taxation**

#### **(a) Additional Amounts**

All payments of principal, premium and interest in respect of the Capital Notes will be made free and clear of, and without any Tax Deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed by Switzerland or any subdivision thereof (“**Taxes**”) or required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”), unless the Issuer is compelled by law and/or by agreement of the Issuer to make such Tax Deduction. In the event of such Tax Deduction, the Issuer will pay such additional amounts (the “**Additional Amounts**”) as will result (after such Tax Deduction) in receipt by the Noteholders of such sums as the Noteholders would have received if no Tax Deduction had been required.

#### **(b) Exceptions**

However, no such Additional Amounts or interest recalculated pursuant to Condition 4(d) shall be payable with respect to such Taxes in respect of any Noteholder:

- (i) if Capital Notes other than Restricted Capital Notes are issued;
- (ii) if the Capital Note is presented for payment by or on behalf of a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Capital Note by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Capital Note;
- (iii) if the Capital Note is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant holder would have been entitled to payment of such Additional Amounts or recalculated interest if it had presented its Capital Note for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (iv) where such Tax Deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (v) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Capital Note; or
- (viii) if the Capital Note is presented for payment by or on behalf of a Noteholder which would have been able to avoid such Tax Deduction by presenting the Capital Note to a Paying Agent in another Member State of the European Union;

- (ix) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder without a Tax Deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (x) if the payment could have been made without a Tax Deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

**(c) Evidence**

Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Issuer shall deliver to the relevant Noteholder evidence satisfactory to that Noteholder (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

**(d) Refund**

If the Issuer is required to make a Tax Deduction and the relevant Noteholder (acting in good faith) determines that (i) a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Noteholder shall pay within 10 Business Days after such Tax refund an amount to the Issuer which that Noteholder determines (in its sole discretion) will leave it (after that payment) in the same after-tax position as it would have been if the payment of the Additional Amount had not been required to be made by the Issuer.

**(e) Definitions**

As used in the Conditions:

**“Guidelines”** means, together, the guideline “Interbank Loans” of September 22, 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the circular letter No. 15 (1-015-DVS-2007) of February 7, 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*) and the circular letter “Deposits” of July 26, 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

**“Non-Bank Rules”** means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

**“Permitted Non-Qualifying Lender”** means in respect of a Series of Restricted Capital Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Capital Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
  - (A) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
    - (a) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
      - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
      - (ii) irrespective of whether a request is made in accordance with paragraph (A)(a)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing

Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and

- (b) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (A)(a)(i) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (A)(a)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and
- (B) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Restricted Capital Notes of the respective Series and under any and all other existing or future Series of Restricted Capital Notes, or similar instruments, between the Issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

**"Permitted Non-Qualifying Lenders"** means in respect of a Series of Restricted Capital Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

**"Qualifying Bank"** means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

**"Qualifying Lender"** means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

**"Relevant Date"** means whichever is the later of the date on which the payment in question first becomes due and, if the full amount payable has not been received by the Agent on or prior to that due date, the date on which notice of receipt of the full amount has been given to the Noteholders in accordance with Condition 13.

**"Restricted Capital Notes"** means Capital Notes issued in accordance with Conditions 10(j) and 10(k).

**"Tax Deduction"** has the meaning set out in Condition 4(d).

**"Ten Non-Bank Rule"** means the rule that the aggregate number of Noteholders under a Series of Restricted Capital Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

**"Twenty Non-Bank Rule"** means the rule that the aggregate number of the Issuer's lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Capital Notes and Capital Notes not classified as a taxable bond (*Anleiheobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

*Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Capital Note at the current rate of 35 per cent. On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Capital Note were made to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. In all other cases no withholding obligation would arise under the proposed new law.*

## **8. Prescription**

The Capital Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## **9. Dissolution Event**

### **(a) Dissolution Event**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Capital 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 the Trustee having been indemnified and/or secured to its satisfaction), give notice

to the Issuer that the Capital Notes are immediately due and repayable at an amount equal to the principal amount of such Capital Note together with accrued interest and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest if the following event (“**Dissolution Event**”) shall have occurred: a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation (a “**Dissolution Event**”).

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

If the Capital Notes become due and repayable (whether pursuant to Condition 9(a), Condition 6 or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Issuer and may take no further action to enforce the obligations of the Issuer for payment of any principal or interest (including, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, applicable Deferred Interest, if any) in respect of the Capital Notes.

No payment in respect of the Capital Notes may be made by the Issuer pursuant to Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer.

#### **(c) Enforcement**

Without prejudice to Condition 9(a) or 9(b) above and, in the case of Restricted Capital Notes, subject to Conditions 10(j) and 10(k), 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 Capital Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Capital 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) Rights 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 Noteholders or Couponholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

#### **(e) Extent of Noteholders’ Remedy**

No remedy against the Issuer other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Capital 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 Capital Notes or under the Trust Deed.

In this Condition: “**Permitted Reorganisation**” means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the Issuer under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the Issuer are transferred to, and all the liabilities and obligations of the Issuer are assumed by, the new or surviving entity either:
  - (A) automatically by operation of applicable law; or
  - (B) by means of the new or surviving entity assuming all of the obligations of the Issuer under the terms of the Trust Deed and the Notes and as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes in place of the Issuer, and,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the Issuer was subject to immediately prior thereto.

### **10. Exchange of Capital Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Coupons and Talons**

#### **(a) Exchange of Bearer Notes for Registered Notes**

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in

the form provided in the Agency Agreement (an “**Exchange Request**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons and Talons appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate and deliver, or procure the authentication and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the date which is 40 days after the date on which any Temporary Global Note is issued (the “**Exchange Date**”).

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Global Note.

#### **(b) Exchange of interests in Registered Global Notes for Individual Registered Notes**

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Capital Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

#### **(c) Transfers of Registered Global Notes**

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor’s nominee.

#### **(d) Transfers of interests in Reg. S Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the U.S. will only be made pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the U.S., and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

#### **(e) Exchanges and transfers of Registered Notes generally**

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by



the Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

#### **(f) Registration of transfer upon partial redemption**

In the event of a partial redemption of Capital Notes under Condition 6(d), the Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Capital Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

#### **(g) Closed periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Capital Note.

#### **(h) Costs of exchange or registration**

The transfer of a Capital Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

#### **(i) Replacement of Capital Notes, Coupons and Talons**

Should any Capital Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Capital Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### **(j) Restrictions on Transfer of Certain Capital Notes**

- (i) If the applicable Final Terms designate the Capital Notes as Restricted Capital Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Capital Notes will be issued as Registered Notes and may only be assigned or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):
  - (a) in whole or in part, if the Transfer is to a Qualifying Bank, or
  - (b) in whole, but not in part (except for parts of Restricted Capital Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Capital Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

- (ii) A Noteholder may at any time require that the Issuer replaces such Noteholder's certificate(s) representing the Restricted Capital Notes with certificates in minimum denominations equal to the Restricted Capital Note Minimum Denomination Amount specified in the applicable Final Terms.
- (iii) Restricted Capital Notes may only be Transferred in amounts equal to the Restricted Capital Note Transfer Amount specified in the applicable Final Terms.
- (iv) Any Transfer of a Restricted Capital Note shall be recorded by the Registrar in the Register on production of:
  - (a) the relevant certificate representing the Restricted Capital Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender; and
  - (b) such other evidence as the Issuer may require.

Any Transfer of a Restricted Capital Note shall only be effective and shall only be recorded by the Registrar in the Register if such Restricted Capital Note is Transferred in accordance with this Condition 10(j).

- (v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Capital Notes to that other person, unless under such arrangement throughout the life of such arrangement:
  - (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
  - (b) the other person will have no proprietary interest in the benefit of the Restricted Capital Notes or in any monies received by the Noteholder under or in relation to the Restricted Capital Notes held by that Noteholder, and
  - (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder's claims under its Capital Notes, and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Restricted Capital Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an interest under the Restricted Capital Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Capital Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

#### **(k) Grants of Security**

If the applicable Final Terms provide that the Capital Notes are Restricted Capital Notes then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Capital Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
  - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
  - (b) require any payments to be made by the Issuer other than as required by the Restricted Capital Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Capital Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

## 11. Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Capital Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee;
- (v) the Issuer undertakes that it will ensure that it maintains a Paying Agent and a Registrar in an EU member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) if legislation is enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, the Issuer will use reasonable efforts to make payments in respect of the Notes through a Paying Agent outside Switzerland, provided that the use of such Paying Agent outside Switzerland would eliminate any Swiss withholding tax that would otherwise apply to payments from the Issuer.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Paying Agent is not, or ceases to be, a FATCA Compliant Entity, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the Issuer will in respect of any Listed Swiss Franc Capital Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

As used herein:

**"FATCA Compliant Entity"** means a person payments to whom are not subject to FATCA Withholding; and

**"FATCA Withholding"** means any amount required to be withheld or deducted pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions and any regulations and official guidance issued thereunder) pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

## 12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

## 13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), (iii) (in the case of Listed Swiss Franc Capital Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du*

*Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the *Financial Times* in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Capital Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Mémorial C, Recueil des Sociétés et Associations* (“**Mémorial C**”).

In the case of Bearer Notes and Registered Notes, if and to the extent required by the Luxembourg law of January 11, 2008 relating to transparency obligations of issuers of securities implementing Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Capital Notes and in addition, for so long as any Capital Notes are listed on the Luxembourg Stock Exchange, a notice will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given to the holders of the Capital Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Capital Notes shall be in writing and given by lodging the same, together with the relative Capital Note or Capital Notes, with the Agent. Whilst any of the Capital Notes are represented by a Global Note, such notice may be given by any holder of a Capital Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee**

##### **(a) Single Noteholder**

In relation to any Restricted Capital Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Capital Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Capital Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Condition 14(b) shall not apply.

##### **(b) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Capital Notes, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Capital Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Capital Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Capital Notes or Coupons (including modifying the dates for redemption of the Capital Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Notes, varying the method of calculating the rate of interest on the Capital Notes or altering the currency of payment of the Capital Notes or Coupons, varying, amending or granting a waiver in relation to Condition 2, 3, 4, 5 or 6, modifying the provisions concerning the quorum required at any meeting of the Noteholders or the majority required to pass an Extraordinary Resolution or modifying the percentage required to pass any

resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Capital Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of Capital Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Capital Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Capital Notes.

#### **(c) Modification and Waiver**

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Capital Notes, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

#### **(d) Powers and Discretions**

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of the Issuer as the principal debtor under the Trust Deed and the Capital Notes and Coupons. The Issuer may at any time with the agreement of the Trustee as aforesaid, without the consent or approval of the Noteholders, substitute for itself as principal debtor under the Capital Notes a successor in business to the Issuer or such substitute, being a duly licensed and regulated entity that carries on the business of an insurance company within the Zurich Insurance Group.

The Issuer may only transfer its obligations under the Capital Notes if (i) the rating assigned by both Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") or its successor to the transferee's senior unsecured debt is equal to or higher than the senior unsecured debt rating of the Issuer immediately after such transfer (it being understood that if such senior unsecured debt is rated by only one of Moody's or S&P or their respective successors immediately prior to such transfer, then only the then existing rating must be equal to or higher than the corresponding ratings immediately after such transfer) and the transferee is an affiliate of ZIG and is engaged in the same line of business that the Zurich Insurance Group is engaged in on the date of such transfer or (ii) the transfer is approved by the holders of the Capital Notes in the manner set out in Condition 14(a) above, provided that the foregoing shall not preclude the Issuer from transferring its obligations under the Capital Notes where such transfer is pursuant to the transfer of substantially all of the Issuer's assets and obligations to another entity pursuant to any merger, consolidation or corporate reorganisation or by operation of law in which case neither the rating condition nor the approval of the holders of the Capital Notes will be required.

Notwithstanding the above, by subscribing to or purchasing the Capital Notes, the Noteholders expressly consent to the substitution of the Issuer on the conditions referred to above and expressly consent to the release of the Issuer from any and all obligations in respect of the Capital Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the Issuer of a substitute issuer which has previously been approved by 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 action unless indemnified and/or secured to its satisfaction.

## **15. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Capital Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Capital Notes.

## **16. Governing Law and Submission to Jurisdiction**

- (a) The Trust Deed (other than the provisions relating therein to subordination which shall be governed by, and construed in accordance with, the laws of Switzerland), the Capital Notes (other than the provisions of Condition 2 which shall be governed by, and construed in accordance with, the laws of Switzerland) and the Coupons and any non- contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Capital Notes and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Capital Notes and the Coupons may be brought in such courts.
- (c) The Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The Issuer has appointed Zurich Insurance plc, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance plc, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Capital Notes only, the Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders and the Couponholders to the additional jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

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

No person shall have any right to enforce any term or condition of this Capital Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

## USE OF PROCEEDS

The net proceeds from each issue of Notes by ZF (Luxembourg) will be used either to refinance existing debt of the Zurich Insurance Group or, alternatively, for general corporate purposes, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

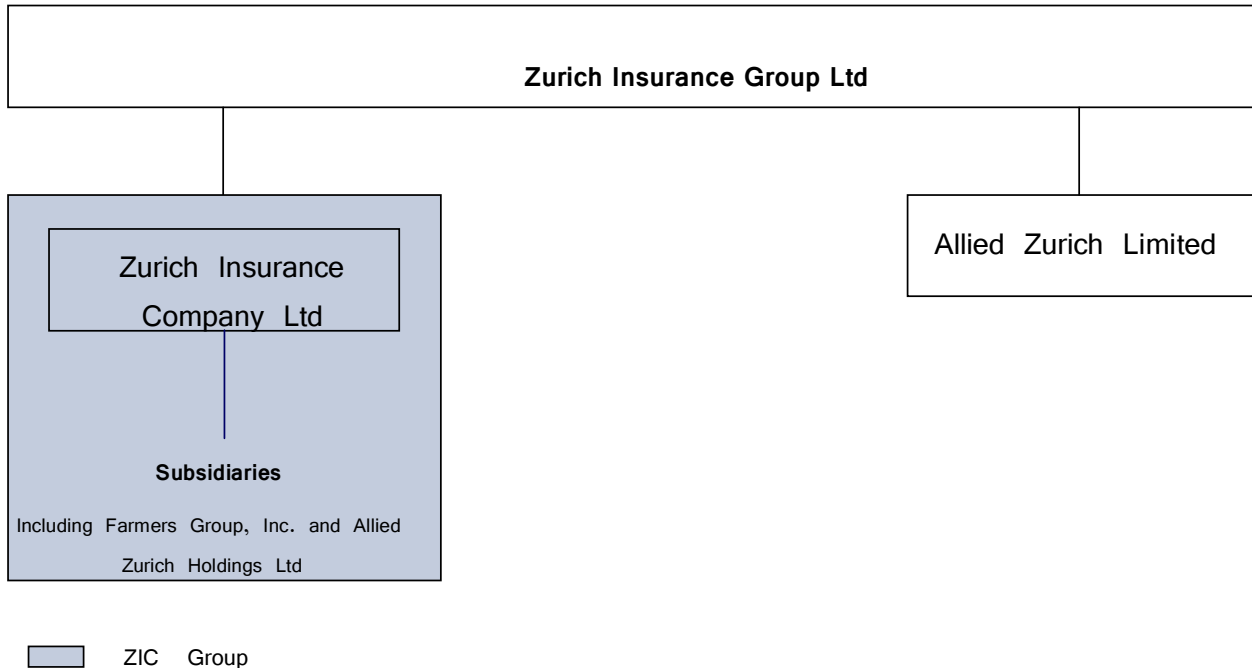
The net proceeds from each issue of Notes and Capital Notes by ZIC will be used in Switzerland to refinance existing debt of ZIC or, alternatively, for general corporate purposes.

The net proceeds from each issue of Notes by ZF (UK) will be used either to refinance existing debt of the Zurich Insurance Group or, alternatively, for general corporate purposes, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

# ZURICH INSURANCE COMPANY LTD

## GENERAL INFORMATION

### Overview of the ZIC Group structure



ZIC is a public limited liability company (*Aktiengesellschaft*) founded for an unlimited duration and operating under the Swiss Code of Obligations and Swiss insurance law and regulation and incorporated in the commercial register of the Canton of Zurich, Switzerland on July 16, 1884. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland (telephone: +41 44 625 25 25) and its registered number is CH-020.3.929.583-0. The articles of incorporation of ZIC date from April 6, 2009. The purpose of ZIC is to conduct all kinds of insurance and reinsurance businesses, except for direct life insurance business. The fiscal year of ZIC begins on January 1 and terminates on December 31 of each year.

ZIC Group is a provider of insurance-based products which also distributes non-insurance products from selected third-party providers. The ZIC Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch and representation offices. ZIC as such has a dual function, firstly as an insurer, operating through branch offices in Switzerland and other countries, and secondly as a holding company.

ZIC is owned by ZIG, the ultimate parent company of the ZIC Group. ZIG is a public limited liability company (*Aktiengesellschaft*) under Swiss Law and is incorporated in Zurich, Switzerland. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland. ZIG has a listing on the SIX Swiss Exchange.

### Share Information

The share capital of ZIC amounts to CHF 825,000,000, divided into 82,500,000 issued and fully paid-up registered shares with a par value of CHF 10 each. The transfer of shares is subject to the board of directors' consent. The board of directors may further delegate such consent.

ZIC paid out an ordinary dividend of CHF 2.2 billion on April 11, 2013 in respect of the financial year 2012. In 2012 ZIC paid an ordinary dividend of CHF 2.4 billion and in 2011 an extraordinary dividend of CHF 1.5 billion.

### Notices

Notices are given by ZIC by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices to shareholders are given by ZIC by ordinary mail to the addresses registered in the share register unless otherwise provided by law or the articles of incorporation of ZIC.



## Business and Strategy

The ZIC Group aspires to become a leading global insurance group in its chosen general insurance and life insurance markets. The ZIC Group has reviewed its strategy in 2010 and will continue building global capabilities by implementing an agile organisational and operating model as well as accelerating The Zurich Way umbrella program for achieving top-tier performance. As an insurance-based financial services provider, the ZIC Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The ZIC Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch and representation offices.

## The Segments

The ZIC Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The ZIC Group's operating segments have been identified on the basis of the businesses operated by the ZIC Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The ZIC Group's reportable segments are as follows:

- General Insurance is the segment through which the ZIC Group provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.
- Global Life pursues a strategy of providing market-leading unit-linked protection and corporate propositions through global distribution and proposition pillars to develop leadership positions in its chosen segments.
- Farmers provides, through Farmers Group, Inc. and its subsidiaries (FGI), non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Zurich Insurance Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the ZIC Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

For the purpose of discussing financial performance the ZIC Group considers General Insurance, Global Life and Farmers to be its core business segments.

Other Operating Businesses predominantly consist of the ZIC Group's Headquarter and Holding and Financing activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.

Non-Core Businesses include insurance and reinsurance businesses that the ZIC Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-core businesses are mainly situated in the U.S., Bermuda, the United Kingdom and Ireland.

## The ZIC Group Key Segmental Information

Audited consolidated figures of the ZIC Group

in USD millions, as reported for the year ended December 31, 2012	Gross written premiums and policy fees	Total BOP <sup>1</sup> revenues	Net income/(loss) before income taxes
General Insurance .....	35,610	32,774	3,049
Global Life .....	13,590	28,203	1,906
Farmers .....	4,361	7,489	1,435
Other Operating Businesses .....	116	1,373	(1,046)
Non-Core Businesses.....	475	1,452	242
<b>Total ZIC Group(*) .....</b>	<b>53,977</b>	<b>69,182</b>	<b>5,587</b>

<sup>1</sup>Business Operating Profit: This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. Business Operating Profit reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses), non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses.

\* The Total ZIC Group information is presented after elimination of the inter-segment transactions, and as such does not reflect the sum of segment figures.

### The ZIC Group Key Financial Information

in USD millions	As at or for the year ended December 31, 2012 (audited)	As at or for the year ended December 31, 2011 - restated (unaudited)	As at or for the year ended December 31, 2011 Restatements (unaudited)*	As at or for the year ended December 31, 2011-as previously reported (audited)
Gross written premiums and policy fees .....	53,977	50,200	0	50,200
Net written premiums and policy fees .....	47,496	43,650	0	43,650
Net investment result on the ZIC Group investments .....	8,987	9,470	0	9,470
Net income before income taxes .....	5,587	4,926	(19)	4,945
Net income after taxes attributable to shareholders .....	3,963	3,871	(16)	3,888
Total investments .....	333,687	311,719	12,965	298,754
Reserves for insurance contracts .....	265,233	253,207	12,396	240,811
Total shareholders' equity .....	33,885	31,229	(153)	31,381

\*For details please refer to "Restatements and reclassifications 2012" below. For more information please refer to table 1.3 of the ZIC Group annual report 2012 page 65.

### Change in accounting policies and change in presentation 2012

In 2011, the ZIC Group completed the acquisition of the life insurance, pension and general insurance operations of Banco Santander S.A. in Brazil, Argentina, Chile, Mexico and Uruguay (for details, please refer to note 5 of the ZIC Group consolidated financial statements as of December 31, 2012). In the ZIC Group's consolidated financial statements as of and for the year ended December 31, 2011, total assets of USD 15.6 billion and total liabilities of USD 13.2 billion were booked to receivables and other assets and other liabilities, respectively. In 2012, the ZIC Group completed the purchase price allocation for the acquisition and restated the ZIC Group's consolidated financial statements as of and for the year ended December 31, 2011 to reflect the final allocation. For further details, refer to note 1 of the ZIC Group's consolidated financial statements as of and for the year ended December 31, 2012.

In the course of the review related to the strengthening of reserves for losses and loss adjustment expenses in the General Insurance business in Germany, the ZIC Group determined that improper case reserving practices had resulted in errors which led to insufficient reserves for losses estimated in previous years. Additionally, the ZIC Group determined that deferred policy acquisition costs were overstated due to a system error in Germany. In aggregate, the errors identified were deemed material and have resulted in a restatement reducing total equity by USD 198 million and USD 188 million as of December 31, 2011 and January 1, 2011, respectively. For the year ended December 31, 2011 the impact on net income after taxes was a loss of USD 17 million and on business operating profit a loss of USD 18 million. For further details, refer to note 1 of the ZIC Group consolidated financial statements as of and for the year ended December 31, 2012.

The ZIC Group erroneously classified certain life insurance products. The classification was prospectively corrected in 2012 as the impact on the ZIC Group's consolidated income statement was not material. The reclassifications in the consolidated balance sheet between liabilities for investment contracts and reserves for unit-linked contracts, and between deferred policy acquisition costs and deferred origination costs are set out in notes 8, 9 and 12 of the ZIC Group's Annual Report 2012.

The ZIC Group previously classified certain liabilities relating to non-life insurance annuities (mainly accident insurance) as policyholder contract deposits and other funds. The classification was prospectively changed in 2012 as the reclassification has no impact on the ZIC Group's consolidated balance sheet or income statement. The reclassifications from policyholder contract deposits and other funds to reserves for losses and loss adjustment expenses as well as future policyholders' benefits are set out in note 8 of the ZIC Group's Annual Report 2012.

### Subsequent Events

*Result release*

On May 16, 2013, ZIG, the ultimate parent company of ZIC, published its unaudited consolidated interim financial statements as of and for the three-month period ended 31 March 2013.

#### *Monica Mächler elected and three board members re-elected to the Board of Directors*

On April 4, 2013, the Ordinary General Meeting newly elected Monica Mächler to the Board of Directors. It also re-elected Susan Bies for a further term of office of three years as well as Victor L.L. Chu and Rolf Watter for a one year term of office. Armin Meyer, who has served the maximum tenure of office, retires from the Board of Directors. In its constituent meeting held after the General Meeting the Board of Directors re-elected Josef Ackermann as Chairman and Tom de Swaan as Vice-Chairman.

#### *2013 Dividend payment*

At the Annual General Meeting held on April 4, 2013 the shareholders of ZIG approved an unchanged dividend of CHF 17 per share. There were 147,493,710 dividend-paying shares on the applicable dividend entitlement date, which amounts to approximately CHF 2.5 billion in the aggregate. As in the prior year, the dividend is paid out of the capital contribution reserve and is exempt from Swiss withholding tax.

#### *Issuances under the Programme*

On February 26, 2013, the successful placement of EUR 788 million of 30-year subordinated notes, maturing in 2043, to European institutional investors was announced. These notes have been issued by ZIC under the Programme. The annual coupon is fixed at 4.25 per cent. until the first call date. Thereafter, the holders of the Notes will receive a floating coupon.

#### *North America earthquake protection from Lakeside Re III Ltd.*

On January 3, 2013, it was announced that Zurich American Insurance Company (a wholly-owned subsidiary of ZIC) and ZIC have obtained a 3-year USD 270 million catastrophe excess of loss reinsurance protection from Lakeside Re III Ltd. to cover the risk of earthquakes in specific territories in North America. The cover offers protection on an annual aggregate basis. This reinsurance transaction is a replacement of the expiring 2009 Lakeside Re II Ltd. transaction. Lakeside Re III Ltd., in turn, has issued to the capital markets principal at-risk variable rate notes linked to this risk. The catastrophe bond has a floating coupon consisting of a fixed 8 per cent plus a variable investment yield received by Lakeside Re III Ltd. on the underlying assets.

### **Amendments to and implementation of new accounting standards**

The following amendments to accounting standards and interpretations of standards relevant to the ZIC Group have been implemented for the financial year beginning January 1, 2012 with no material impact on ZIC Group's financial position or performance:

- Amendments to IFRS 7 "Disclosures – Transfer of Financial Assets"
- Amendments to IAS 12 "Deferred Tax – Recovery of Underlying Assets"

The following new accounting standards or amendments to and interpretations of standards relevant to ZIC Group have been implemented for the financial year beginning January 1, 2013 with no material impact on ZIC Group's financial position or performance:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- Amendments to IAS 1 "Presentations of Components of Other Comprehensive Income (OCI)"
- Amendments to IAS 19 "Employee Benefits"
- Amendments to IAS 27 "Separate Financial Statements"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The following amendments are not yet effective:

- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” will be effective for reporting periods beginning on or after January 1, 2014.
- IFRS 9 “Financial Instruments” will be effective for annual periods beginning on or after January 1, 2015.

### Appropriation of Available Earnings

On April 4, 2013, it was approved at the annual general meeting of ZIC to pay out a dividend of CHF 2,200,000,000 and to carry forward available earnings of CHF 6,244,483,839.

### Board of Directors of ZIC (as at the date of this Base Prospectus)

<u>Name</u>	<u>Nationality</u>	<u>Function</u>	<u>Principal Occupation</u>
Josef Ackermann.....	Swiss	Non-Executive Chairman	<p><b>Skills and experience:</b> Mr. Ackermann has been serving as Chairman of Zurich Insurance Group Ltd since March 2012. Prior to this he served as Vice-Chairman for two years. Mr. Ackermann started his career at Schweizerische Kreditanstalt (SKA) in 1977. In 1990, he was appointed to the executive board of SKA, becoming its president in 1993. In 1996, Mr. Ackermann joined the management board of Deutsche Bank AG, where he was responsible for the investment banking division. In 2002, he became spokesman of the management board and chairman of the group executive committee. Mr. Ackermann was chairman of the management board from February 2006 until May 2012.</p> <p><b>Other directorships within the ZIG Group:</b> Zurich Insurance Group Ltd.</p> <p><b>External appointments:</b> Mr. Ackermann has been a member of the supervisory board of Siemens AG (second deputy chairman), Germany since 2003; a member of the board of directors of Royal Dutch Shell plc, The Netherlands since 2008; a member of the board of directors of Investor AB, Sweden since 2012; as well as vice-chairman of the board of directors of Belenos Clean Power Holding Ltd, Biel, Switzerland since 2008. Since 2012, he has also been a member of the International Advisory Board of the China Banking Regulatory Commission (CBRC), the National Bank of Kuwait as well as of Akbank, Turkey. Mr. Ackermann also plays an active role in the World Economic Forum (vice-chairman of the foundation board); the St. Gallen Foundation for International Studies (chairman); the Foundation Lindau Nobel prizewinners meetings at Lake Constance (Honorary Senate member) and the Metropolitan Opera New York (advisory director). Also, and amongst others, in 2007, Mr. Ackermann accepted an appointment as visiting professor in finance at the London School of Economics. In July 2008, he was appointed Honorary Professor at Frankfurt’s Johann Wolfgang Goethe University. Furthermore, he is an Honorary Fellow of the London Business School and holds an Honorary Doctorate from the Democritus University of Thrace in Greece. Mr. Ackermann is also member of the International Advisory Board of the Lingnan (University) College, Sun Yatsen University.</p> <p><b>Educational background:</b> Mr. Ackermann gained his doctorate in economics and social sciences from the University of St Gallen, Switzerland.</p>
Tom de Swaan.....	Dutch	Non-executive Vice- Chairman	<p><b>Skills and experience:</b> Mr. de Swaan has served in the banking industry of The Netherlands for over 40 years. He joined De Nederlandsche Bank N.V. in 1972 and from</p>

1986 until 1998 was a member of the governing board. In January 1999, he became a member of the managing board and chief financial officer of ABN AMRO Bank. He retired from ABN AMRO in May 2006, but continued as an advisor to the managing board until June 2007. Between 1987 and 1988, Mr. de Swaan was chairman of the Amsterdam Financial Center and from 1995 to 1997 was chairman of the banking supervisory sub-committee of the European Monetary Institute. He was also a member of the Basel Committee on Banking Supervision from 1991 to 1996, its chairman from 1997 to 1998 and a non-executive director on the board of the UK's Financial Services Authority from January 2001 until the end of 2006.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd, Zurich Insurance plc, Zurich Life Assurance plc

**External appointments:** Mr. de Swaan has been a non-executive member of the board of GlaxoSmithKline Plc and chairman of its audit committee since 2006. He has been a member of the supervisory board of Royal DSM, a Netherlands based nutrition group, since 2006. He has been the vice-chairman of the supervisory board of Royal Ahold, a global retail chain, since 2007. Mr. de Swaan has been chairman of the supervisory board of Van Lanschot NV, the holding company of F. van Lanschot Bankiers, an independent Dutch bank, since 2008. He has also been a member of the public interest committee of KPMG ELLP since 2010 and a member of the International Advisory Board of the National Bank of Kuwait. In addition, Mr. de Swaan is a director of a number of non-profit organizations. He is chairman of the board of the Netherlands Cancer Institute, a member of the board of the International Franz Liszt Piano Competition and chairman of the advisory board of the Rotterdam School of Management.

**Educational background:** Mr. de Swaan graduated from the University of Amsterdam with a master's degree in economics.

Susan Bies ..... American Non-executive director

**Skills and experience:** Ms. Bies has served as a member of the board of Zurich Insurance Group Ltd since April 2008. Ms. Bies began her career in 1970 as regional and banking structure economist with the Federal Reserve Bank of St. Louis, Missouri and two years later became assistant professor of economics at Wayne State University, Detroit, Michigan. In 1977, she moved to Rhodes College, Memphis, Tennessee, in a similar role and in 1979 joined First Tennessee National Corporation in Memphis, where she remained until 2001. During her early years there, her areas of responsibility included tactical planning and corporate development. In 1984, she became chief financial officer and chairman of the asset/liability committee. In 1995, she became executive vice president of risk management and auditor and chairman of the executive risk management committee, as well as continuing her duties with the asset/liability committee. From 2001 until 2007, she was a member of the board of governors of the Federal Reserve System. Between 1996 and 2001, Ms. Bies was a member of the Emerging Issues Task Force of the Financial Accounting Standards Board. From 2007 to 2008, she was a member of the Securities and Exchange Commission's advisory committee on improving financial reporting.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd, Zurich Holding Company of America, Inc.

**External appointments:** Ms. Bies has served as a member of the board of directors of The Bank of America Corporation since June 2009 and has also been a member of the Senior Advisory Board of Oliver Wyman since 2009.

**Educational background:** Ms. Bies graduated with a BS degree from the State University College at Buffalo, New York and with a MA degree from Northwestern University, Evanston, where she later gained a PhD.

Alison Carnwath ..... British Non-executive director

**Skills and experience:** Ms. Carnwath has substantial financial industry experience. She began her career with Peat Marwick Mitchell, now KPMG, in 1975 to 1980 and practiced as a chartered accountant. From 1980 to 1982, she worked as a corporate financier for Lloyds Bank International. From 1982 to 1993, she was assistant director, then director at J. Henry Schroder Wagg & Co in London and New York. From 1993 to 1997, Ms. Carnwath was a senior partner at the financial advisory firm Phoenix Partnership. The firm was taken over by Donaldson Lufkin Jenrette (DLJ) in late 1997; Ms. Carnwath continued working for DLJ until 2000. Ms. Carnwath has held several board offices. From 2000 to 2005, she was the chairman of the board of Vitec Group plc, from 2001 to 2006 a director of Welsh Water, from 2004 to 2007 of Friends Provident plc, from 2004 to 2007 of Gallaher Group and from 2007 to 2010, she was the independent chairman of MF Global Inc. Further, she also served on the board of directors of Barclays from 2010 to 2012.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Ms. Carnwath has been a senior advisor of Evercore Partners since 2011 and an independent chairman of ISIS Equity Partners LLP since 2000. She has been a chairman of the board of Land

Securities Group plc since 2008 and a member of the board of Man Group plc since 2001 and PACCAR Inc. since 2005.

**Educational background:** Ms. Carnwath graduated in economics and German from the University of Reading.

Victor L.L. Chu..... British Non-executive director

**Skills and experience:** Mr. Chu has expertise in the field of corporate, commercial and securities laws spanning 30 years, with special emphasis on China and regional investment transactions. From 1995 to 2000, Mr. Chu was deputy secretary-general of the International Bar Association. Over the past 25 years he has served at various times as director and council member of the Hong Kong Stock Exchange, a member of the Hong Kong Takeovers and Mergers Panel, a member of the Hong Kong Securities and Futures Commission's advisory committee and a part-time member of the Hong Kong Government's Central Policy Unit. He is admitted to practice law in England and Hong Kong.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Mr. Chu has been chairman of First Eastern Investment Group, a leading direct investment firm focusing on China and Asia-related opportunities, since 1988. He has also been chairman of First Eastern Investment Bank Limited since 2006 and of FE Securities Limited since 1994. He is currently a foundation board member of the World Economic Forum and co-chairs the Forum's International Business Council. Mr. Chu is also chairman of the Hong Kong/European Union Business Cooperation Committee, vice-chairman of Asia House in London and a member of the Mayor of London's International Business Advisory Council.

**Educational background:** Mr. Chu graduated with a LL.B. from the University College London where he is now an Honorary Fellow. He was awarded the 2011 Global Economy Prize by the Kiel Institute for the World Economy.

Rafael del Pino..... Spanish Non-executive director

**Skills and experience:** Mr. del Pino possesses more than 30 years of international management experience. He began his career with Ferrovial before becoming a consultant with Boston Consulting Group in Paris. He returned to Ferrovial in 1986. From 1992 to 1999, he was CEO of Grupo Ferrovial and in 1999, he was appointed executive vice-chairman. In 2000, Mr. del Pino assumed the position of executive chairman and managing director of Ferrovial S.A. During his career at Ferrovial he has transformed the company from a mostly domestic construction company to a leading provider of infrastructure services around the world. In addition, Mr. del Pino was a member of the board of Banesto (Banco Espanol de Credito S.A.) from 2003 to 2012.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Mr. del Pino has been a member of the International Advisory Board of Blackstone since 2007. He also maintains contact with the academic world through membership on the MIT Corporation, the International Advisory Board of IESE and the European Advisory Board of Harvard Business School.

**Educational background:** Mr. del Pino graduated in civil engineering from the Universidad Politecnica Madrid and

obtained an MBA from MIT Sloan School of Management.

Thomas Escher ..... Swiss Non-executive director

**Skills and experience:** Mr. Escher has extensive experience in the fields of information technology and banking. He joined IBM in 1974 and had managerial responsibility for several international markets. In 1996, Mr. Escher joined Swiss Bank Corporation as a member of the executive board and was CEO for the major market region in Switzerland and for the information technology organization. Following the merger of Swiss Bank Corporation and Union Bank of Switzerland to form UBS AG in 1998, he headed the IT business area of the wealth management and business banking division until mid-2005 as a member of the group managing board. Mr. Escher assumed the function of vice-chairman in the Business Group Global Wealth Management & Swiss Bank of UBS AG in 2005.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Mr. Escher has been a member of the board of directors of Silent-Power AG of Cham, Switzerland, a company in the alternative energy field, since 2012.

**Educational background:** Mr. Escher graduated in electrical engineering and in business administration from the Swiss Federal Institute of Technology (ETH).

Fred Kindle ..... Swiss Non-executive director

**Skills and experience:** Mr. Kindle possesses broad professional experience, acquired in various roles. He began working as a marketing project manager with Hilti AG in Liechtenstein from 1984. From 1988 until 1992, he was a consultant with McKinsey & Company in New York and Zurich. He then joined Sulzer Chemtech AG in Switzerland as the head of the Mass Transfer Department and in 1996 became the head of the Product Division. In 1999, he was appointed CEO of Sulzer Industries, one of the two operating groups of Sulzer AG. Two years later he became CEO of Sulzer AG, where he also served as a board member. After joining ABB Ltd. in 2004, Mr. Kindle was appointed CEO of ABB Group in January 2005, a position he held until February 2008. He then became a partner of Clayton, Dubilier & Rice LLP, a private equity firm based in New York and London.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** In his capacity as a partner of Clayton, Dubilier & Rice, Mr. Kindle has served as a chairman of Exova Ltd., Scotland since 2008, a chairman of BCA Group, United Kingdom since 2010 and as a director of Rexel SA, France since 2009. He has also been on the board of VZ Holding Ltd., Zurich since 2002 and Stadler Rail AG, Bussnang since 2008.

**Educational background:** Mr. Kindle graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with a master's degree in engineering and holds an MBA from Northwestern University, Evanston, United States.

Monica Mächler ..... Swiss Non-executive director

**Skills and experience:** Monica Mächler served as vice-chair of the board of directors to the Swiss Financial Market Supervisory Authority (FINMA) from 2009 to 2012, after having been the director of the Swiss Federal Office of Private Insurance from 2007 to 2008. Joining



Zurich Insurance Group in 1990, she assumed the roles of group general counsel and head of the board secretariat from 1999 to 2006 and was appointed a member of the group management board in 2001. During the years 1985 to 1990 she was in private practice specializing in banking and business law. From 2010 to 2012, Ms. Mächler chaired the Technical Committee of the International Association of Insurance Supervisors (IAIS). She has been a member of several Swiss federal expert commissions on regulatory projects and is regularly speaking, lecturing as well as publishing on international business law and regulation and their impact.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Ms. Mächler has been a member of the supervisory board of directors of Deutsche Borse AG since May 2012.

**Educational background:** She earned her JD at the University of Zurich's Law School and attended programmes on UK, U.S. and private international law. Monica Mächler is admitted to the bar of the Canton of Zurich.

Don Nicolaisen..... American      Non-executive director

**Skills and experience:** Mr. Nicolaisen has substantial expertise in accounting, auditing and financial reporting. He joined Price Waterhouse (which subsequently became PricewaterhouseCoopers or PwC) and was admitted to partnership in 1978. He served in various capacities, including as an auditor and as chairman of their financial services practice. Mr. Nicolaisen also led PwC's national office for accounting and Securities and Exchange Commission services from 1988 to 1994 and served on both the U.S. and global boards of PwC from 1994 to 2001. From September 2003 to November 2005, he was chief accountant of the U.S. Securities and Exchange Commission and was principal adviser to the Commission on accounting and auditing matters.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd, Zurich Holding Company of America, Inc.

**External appointments:** Mr. Nicolaisen has been a member of the board of directors of Verizon Communications Inc. since 2005, Morgan Stanley since 2006 and MGIC Investment Corporation since 2006. In addition, he serves on the board of advisors for the University of Southern California Leventhal School of Accounting.

**Educational background:** Mr. Nicolaisen graduated from the University of Wisconsin-Whitewater with a BBA degree.

Rolf Watter..... Swiss      Non-executive director

**Skills and experience:** Mr. Watter possesses extensive experience in the field of corporate law, particularly complex cross-border transactions and corporate governance questions and has been a partner at Bar & Karrer AG in Zurich since 1994. He was a member of its executive board from 2000 and an executive director upon the incorporation of Bar & Karrer AG in 2007 until September 2009. Mr. Watter serves as a part-time professor at the Law School of the University of Zurich. He was formerly a non-executive chairman of Cablecom Holding AG from 2004 to 2008. Mr. Watter was also a non-executive director of Syngenta AG from 2000 to

2012, of Centerpulse AG from 2002 to 2003, of Forbo Holding AG from 1999 to 2005 and of Feldschlosschen Getranke AG from 2001 to 2004.

**Other directorships within the ZIG Group:** Zurich Insurance Group Ltd

**External appointments:** Mr. Watter has been a non-executive director of Nobel Biocare Holding AG since 2007 and has served as chairman of the board since the summer of 2012. He has been a non-executive director of UBS Alternative Portfolio AG since 2000 and of A.W. Faber-Castell AG since 1997. He is a member of the SIX admission board and of its Disclosure Commission of Experts. Moreover, Mr. Watter will assume the position of non-executive chairman of the board of PostFinance AG in mid-2013. He also serves as chairman of two charity institutions.

**Educational background:** Mr. Watter graduated from the University of Zurich with a doctorate in law and holds a master of laws degree from Georgetown University in the U.S. He is admitted to the bar of the Canton of Zurich.

The business address of each member of the Board of Directors is Mythenquai 2, CH-8002 Zurich, Switzerland. All directors are non-executive, independent of management, and except for Ms. Monica Mächler have never held an executive position in the Zurich Insurance Group. Monica Mächler joined Zurich Insurance Group in 1990, she assumed the roles of Group General Counsel and Head of the Board Secretariat from 1999 to 2006 and was appointed a member of the Group Management Board in 2001. She left the company in 2006. Therefore, according to the guidelines of the Swiss Code of Best Practice for Corporate Governance Ms. Mächler meets the requirements with regard to independence.

All directors also serve on the Board of Directors of ZIG. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Board of Directors of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Board of Directors.

#### Group Executive Committee of ZIC (as at the date of this Base Prospectus)

<u>Name</u>	<u>Nationality</u>	<u>Function</u>
Martin Senn.....	Swiss	Chief Executive Officer
Jeff Dailey.....	U.S. American	Chief Executive Officer - Farmers Group, Inc.
Mike Foley.....	U.S. American	CEO North America Commercial and Regional Chairman of North America
Yannick Hausman.....	Swiss	Group General Counsel
Kevin Hogan.....	U.S. American	CEO Global Life
Michael Kerner.....	U.S. American	CEO General Insurance
Axel P. Lehmann.....	Swiss	Chief Risk Officer and Regional Chairman of Europe
Cecilia Reyes.....	Swiss/Philippine	Chief Investment Officer
Geoffrey (Geoff) Riddell.....	British	Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn.....	Belgian	Group Head of Operations
Pierre Wauthier.....	French/British	Chief Financial Officer

The business address of each member of the Group Executive Committee of ZIC is Mythenquai 2, CH-8002 Zurich, Switzerland. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Group Executive Committee of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Group Executive Committee of ZIC.

#### Regulation

ZIC conducts its operations in Switzerland under operating licences for all lines of general insurance business. The operations of ZIC are subject to continued supervision by FINMA based on the Swiss Insurance Supervision Law (“ISL”) that came into force on January 1, 2006. Swiss insurance companies must always maintain net assets or funds free of any encumbrances in the amount of the “solvency margin” (“Solvency I”). Swiss regulation relating to the solvency margin is similar to the European Union (“EU”) solvency margin regime (Solvency I). The law introduced risk-based capital requirements (target capital) under the Swiss Solvency Test (“SST”) since January 1, 2011, similar to the ongoing Solvency II implementation in the EU. Swiss insurers also have to maintain tied assets that secure all known and estimated liabilities of the insurance company vis-à-vis the insureds arising out of insurance contracts. The law requires Swiss supervised insurance companies and groups to maintain a risk management system appropriate to its business activities and to establish effective internal control systems. It also requires every Swiss

insurance company to designate an appointed actuary who has to provide certain reports to management. The law further introduces rules regarding the supervision of insurance groups and insurance conglomerates. These include the requirement to calculate a group solvency margin as well as a group risk based capital based on an internal model. The reporting of intra-group transactions is also required. Under the group supervision rules and based on a FINMA decree of December 28, 2011 the Zurich Insurance Group qualifies as an insurance group.

The different insurance and financial services subsidiaries of the Zurich Insurance Group are supervised by their relevant local regulators and may be subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to ZIC or ZIG respectively.

## LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

### Legal Proceedings

The operating subsidiaries of ZIG are continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of their business operations. These liabilities are taken into account in setting reserves. The ZIC Group's business is subject to extensive supervision, and companies in the ZIC Group are in regular contact with various regulatory authorities. In addition, certain companies within the Zurich Insurance Group are engaged in the following legal proceedings which may have a significant effect on the financial position of the Zurich Insurance Group.

#### *(a) Fogel Litigation*

ZFS (now named Zurich Insurance Group Ltd) was a defendant in a putative class action in California state court captioned Benjamin Fogel v. Farmers Group, Inc (“**Fogel Case**”). The case, originally filed in August 2003, was brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 onwards. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates (“**Farmers**”), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, had collected excessive and unreasonable management fees. The complaint sought, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers’ motion for summary judgment, and the plaintiff appealed. In 2008, a California appellate court reversed the trial court’s ruling and reinstated the litigation. On September 9, 2009, the plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since August 1, 1999. On October 7, 2010, ZFS announced that it and Farmers had agreed in principle to a proposed nationwide settlement of the Fogel Case. Under the terms of the settlement, a sum of USD 455 million was made available to approximately 12.5 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Farmers Exchanges. ZFS and Farmers would also pay attorneys’ fees to class action counsel of up to USD 90 million, as well as the costs of administering the settlement. On December 12, 2010, the parties executed the settlement agreement. On January 12, 2011 the parties filed a motion seeking preliminary approval of the settlement. On February 3, 2011, the court granted a motion to intervene by a class member who objected to certain aspects of the proposed settlement. The hearing on the motion for preliminary approval was held on March 2, 2011 and the court granted the motion. Notices were mailed and published to class members, and a number of objections and opt-out requests were submitted. On October 31, 2011, the court granted a motion by the State of Montana to intervene so it could object to certain aspects of the proposed settlement. On December 21, 2011, the court granted final approval of the settlement, and it reduced the total award of attorneys’ fees, expenses, and incentive awards to approximately USD 74 million (instead of USD 90 million). Five notices of appeal were filed, including one by intervenor State of Montana. All appeals were subsequently abandoned in September 2012. The settlement is now final and, therefore, the Fogel Case has ended.

#### *(b) Fuller Austin/ API Litigations*

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (“**ZAIC**”), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively the “**Fuller-Austin Case**”). In addition to ZAIC and four of its insurance company subsidiaries, ZIC and Orange Stone Reinsurance Dublin (“**Orange Stone**”) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (“**Home**”), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalisation of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalisation and subsequent transactions, various ZIG entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. The plaintiffs further allege that the defendants should be held responsible for Home’s alleged obligations under their Home policies. The trial judge designated the plaintiffs’ claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants’ affirmative defences. The trial commenced on November 1, 2010. Closing arguments were heard on February 22-23, 2012 and a decision on this threshold elements and affirmative defences is pending. Zurich Insurance Group maintains that the cases are without merit and intends to continue to defend itself vigorously.

A similar action entitled A.P.I., Inc. (“**API**”) Asbestos Settlement Trust, et al. v. ZAIC, et al., was filed in March 2009 in the District Court for the Second Judicial District, County of Ramsey, Minnesota (the “**API Case**”). ZAIC and two of its insurance

company subsidiaries were named as defendants. The defendants removed the case to the U.S. District Court for the District of Minnesota, where it is now pending. The plaintiffs subsequently amended their complaint to add ZIC, Orange Stone and two additional ZAIC subsidiaries as defendants. As in the Fuller-Austin Case, the plaintiffs allege that API is an insured under policies issued by Home, primarily in the 1970s. The complaint seeks to hold defendants liable for Home's policy obligations under various theories of vicarious liability tied to the recapitalisation of Home, and it also alleges that defendants are liable for damages under theories of fraudulent transfer and tortious interference with contract. In 2010, the court dismissed the plaintiffs' fraudulent transfer, tortious interference with contract and consumer fraud claims. Following the conclusion of pre-trial discovery, the defendants filed a motion for summary judgment seeking dismissal of all remaining claims against them; the plaintiffs also filed a motion for partial summary judgment on their claim of *respondeat superior*. On March 30, 2012, the court issued a decision granting the defendants' motion for summary judgment as to all remaining claims, and denying the plaintiffs' motion. On June 27, 2012, final judgement in the District Court was entered in favor of the defendants. Plaintiffs noticed an appeal on the U.S. Court of Appeals for the Eighth Circuit. On August 8, 2012, the defendants entered into a settlement with plaintiffs whereby defendants would make a payment to the plaintiffs of USD 200,000 plus defendants' forbearance of approximately USD 30,000 of cost plaintiffs owed as a result of the judgement. As no court approval was required, this settlement ended the API Case.

### **Regulatory Authorities and Related Litigation**

The ZIC Group's business is subject to extensive supervision, and companies in the ZIC Group are in regular contact with various regulatory authorities.

## ZURICH FINANCE (LUXEMBOURG) S.A.

Zurich Finance (Luxembourg) S.A. was incorporated on May 19, 1999, and operates under the Luxembourg law dated August 10, 1915 concerning commercial companies, as amended, as a public limited liability company (*société anonyme*). It is registered with the Luxembourg trade and companies register under number B.69.748. The registered office of ZF (Luxembourg) is at 26, Boulevard Royal, L-2449 Luxembourg and its telephone number is +352 22 99 99 5735. ZF (Luxembourg) has no subsidiaries.

ZF (Luxembourg) is a wholly owned subsidiary of ZIC. The subscribed and fully paid up capital of ZF (Luxembourg) is EUR 2,050,800 divided into 20,508 ordinary shares in registered form, each with a par value of EUR 100. ZF (Luxembourg) is a group financing company and it is not engaged in and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

In general, ZF (Luxembourg) may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The corporate objects of ZF (Luxembourg) are primarily to raise finance for members of the ZIC Group.

The members of the Board of Directors of ZF (Luxembourg) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Olga Kusters.....	Director	Mythenquai 2, 8002 Zurich, Switzerland
Xavier Groffils.....	Director	26, Boulevard Royal, L-2449 Luxembourg Ardleigh, Two Mile Borris, Thurles CO. Tipperary Ireland
AnnMarie Callanam.....	Director	Building Excio, 37, rue du Puits Romain L-8070 Bertrange Luxembourg
James Doyle.....	Director	

As of the date of this Base Prospectus, no member of the Board of Directors of ZF (Luxembourg) has any conflicts of interests between his duties to ZF (Luxembourg) and his private interests and other duties. If a potential conflict arises in the future, it would be subject to the provisions in the articles of association relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (Luxembourg) begins on January 1 and terminates on December 31 of each year.

## ZURICH FINANCE (UK) PLC

Zurich Finance (UK) plc is a wholly owned subsidiary of ZFS (UKISA) Limited which in turn is a subsidiary of ZIC. It operates and was incorporated and registered in England and Wales on June 18, 2002 under the Companies Act 1985 as a public limited company with company number 4463547. The registered office of ZF (UK) is UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL and its telephone number is +44 1793 502493. ZF (UK) has no subsidiaries. ZF (UK) is a group financing company and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

ZF (UK)'s authorised share capital is GBP 50,000,000, divided into 50,000,000 ordinary shares of GBP 1.00 each. The issued and fully paid up capital of ZF (UK) is GBP 50,000 divided into 50,000 shares of GBP 1.00 each.

The primary purpose of ZF (UK) is to raise capital to finance the operations of members of the Zurich Insurance Group

The members of the Board of Directors of ZF (UK) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Colm Holmes .....	Executive Director and Chairman	Mythenquai 2, 8002 Zurich, Switzerland
Vince Rennie.....	Executive Director	Tricentre One, New Bridge Square, Swindon, SN1 1HN
Neil Evans .....	Executive Director	Tricentre One, New Bridge Square, Swindon, SN1 1HN

As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties owed by any member of the Board of Directors of ZF (UK) to ZF (UK) and his private interests or other duties. If a potential conflict arises in the future, it would be subject to the provisions of the articles of association relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (UK) begins on January 1 and terminates on December 31 of each year.

## FORM OF SENIOR GUARANTEE

This guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders and the Couponholders (each as defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

### WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (UK) PLC] as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a Euro Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Notes and under the Trust Deed (the “**Senior ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders and the Couponholders together the “**Holders**” and the Notes and the Coupons together the “**Securities**”).

### 1. GUARANTEE

#### (1) Senior ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Securities and the Trust Deed and waiving all rights of objection and defence arising from the Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Securities or the Trust Deed which is equivalent to the amount claimed under the Senior ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) the Senior ZIC Guarantee constitutes a direct, non-accessory, unconditional, unsubordinated and unsecured obligation of the Guarantor ranking (subject as aforesaid) *pari passu* with all its other outstanding unsecured and unsubordinated obligations, present and future, save for statutorily preferred exceptions, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights;
- (b) the maximum liability of the Guarantor under the Senior ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Senior ZIC Guarantee and all other amounts payable under the Senior ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the “**Guarantee Amount**”) calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Securities;
- (c) all rights arising from the Senior ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Senior ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent in nominal amount of the Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and
- (d) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in the currency specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall, to that extent, satisfy the obligation of the Guarantor under the Senior ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the Securities or the Trust Deed should have been paid.

## **(2) Guarantor's Obligations Continuing**

Subject to Clause 1(1)(b), the Guarantor's obligations under the Senior ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

## **(3) Exercise of Guarantor's Rights**

So long as any sum remains payable by the Issuer under the Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Senior ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Senior ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against the Issuer.

## **(4) Avoidance of Payments**

Any settlement or discharge between the Guarantor and the Trustee in respect of the Senior ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

## **2. ACCEPTANCE**

The Trustee accepts the Senior ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Condition 7 (subject to Clause 1(1)(b)) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes as if set out in full in this guarantee agreement.

## **3. CURRENCY INDEMNITY**

### **(1) Currency of Account and Payment**

The currency of the Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Senior ZIC Guarantee, including damages.

### **(2) Extent of Discharge**

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).



### **(3) Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Senior ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(b), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

### **(4) Indemnity separate**

This indemnity constitutes a separate and independent obligation from the other obligations in the Senior ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Senior ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(b).

## **4. NOTICES**

Each notice or demand under the Senior ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Senior ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Senior ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Senior ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd  
Mythenquai 2  
CH8002 Zurich      Fax: +41 (0)44 625 34 99  
Attention:          Group Treasury and Capital Management  
With a copy to:      Fax: +41 (0)44 625 34 99  
Attention:          Head of Group Treasury and Capital Management

## **5. RIGHT OF PRODUCTION**

A copy of the Senior ZIC Guarantee will be deposited with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Senior ZIC Guarantee.

## **6. GOVERNING LAW AND JURISDICTION**

### **(1) Governing Law**

The Senior ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **(2) Jurisdiction**

Any dispute arising out of the Senior ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(c), shall fall exclusively within the jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

**ZURICH INSURANCE COMPANY LTD**

By:

By:

**CITICORP TRUSTEE COMPANY LIMITED**

By:

By:

Note 1:

\* The Guarantee Amount in respect of a relevant tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:  
 $GA = RA + (3 \times I) + AA$

For Floating Rate Notes:  
 $GA = RA + (3 \times EI) + AA$

For Zero Coupon Notes:  
 $GA = RA + AA$

where:

“GA” means Guarantee Amount;

“RA” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the applicable Final Terms;

“I” means the amount of interest payable on the Notes up to the first anniversary of their issue date;

“EI” means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“AA” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“Variable Notes”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]

**THE SCHEDULE**

Issuer: ..... [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (UK) plc]  
Title of Notes being issued: ..... [ ● ]  
Date of issue of relevant Tranche:..... [ ● ]  
Guarantee Amount ..... [ ● ]  
Place of payment and specified currency for  
the purposes of Clause 1(d): ..... [ ● ]

## FORM OF SUBORDINATED GUARANTEE

This subordinated guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH-8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders, the Receiptholders and the Couponholders (each defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

### WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (UK) plc], as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a European Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Subordinated Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Subordinated Notes and under the Trust Deed (the “**Subordinated ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Subordinated Notes (the “**Noteholders**”) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders and the Couponholders together the “**Holders**” and the Subordinated Notes and the Coupons together the “**Subordinated Securities**”).

### 1. GUARANTEE

#### (1) Subordinated ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes on a subordinated basis in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Subordinated Securities and the Trust Deed and waiving all rights of objection and defence arising from the Subordinated Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Subordinated Securities or the Trust Deed which is equivalent to the amount claimed under the Subordinated ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) The Subordinated ZIC Guarantee hereunder constitutes a direct, non-accessory, unconditional, subordinated and unsecured obligation of the Guarantor.

Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding up, liquidation, dissolution, bankruptcy of or other similar proceedings against the Guarantor (such as bankruptcy (“*Konkurs*”) composition (“*Nachlassvertrag*”) and moratorium (“*Stundung*”)), rank

- (i) after the claims of any Senior Creditors (as defined below) of the Guarantor;
- (ii) *pari passu* with any Subordinated Notes (as defined in the Trust Deed) of the Guarantor and any other subordinated obligations of the Guarantor which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of such Subordinated Notes or the beneficiaries of this Subordinated ZIC Guarantee (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and
- (iii) prior to the claims of the holders of any Capital Notes (as defined in the Trust Deed) and of all classes of issued shares in the share capital of the Guarantor.

As used above, “**Senior Creditors**” shall have the meaning ascribed to such term in Condition 2(c) of the Subordinated Notes.

- (b) Neither the Trustee nor any Noteholder and/or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer and/or the Guarantor arising under or in connection with the Subordinated Notes or the Subordinated ZIC Guarantee and the Trustee and each Noteholder, and/or Couponholder shall, by virtue of being the holder of any of the Subordinated Notes and/or Coupons, be deemed to have waived all such rights of set-off.

- (c) The maximum liability of the Guarantor under the Subordinated ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Subordinated ZIC Guarantee and all other amounts payable under the Subordinated ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the “**Guarantee Amount**”), calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Subordinated Securities.
- (d) All rights arising from the Subordinated ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Subordinated ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent, in nominal amount of the Subordinated Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing.
- (e) The Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall to that extent, satisfy the obligation of the Guarantor under the Subordinated ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before 7 days have passed since the due date on which such amount due under the Subordinated Securities or the Trust Deed should have been paid.

## **(2) Guarantor’s Obligations Continuing**

Subject to Clause 1(1)(c), the Guarantor’s obligations under the Subordinated ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Subordinated Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

## **(3) Exercise of Guarantor’s Rights**

So long as any sum remains payable by the Issuer under the Subordinated Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Subordinated ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Subordinated Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Subordinated ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against Issuer.

## **(4) Avoidance of Payments**

Any settlement or discharge between the Guarantor and the Trustee in respect of the Subordinated ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer’s behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws or general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

## **2. ACCEPTANCE**

The Trustee accepts the Subordinated ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Conditions 7 (subject to Clause 1(1)(c)) of the Terms and Conditions of the Subordinated Notes as if set out in full in this guarantee agreement.

## **3. CURRENCY INDEMNITY**

### **(1) Currency of Account and Payment**

The currency of the Subordinated Notes (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Subordinated ZIC Guarantee, including damages.

### **(2) Extent of Discharge**

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of the enforcement of a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual

Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recover (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

### **(3) Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Subordinated ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(c), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

### **(4) Indemnity separate**

This indemnity constitutes a separate and independent obligation from the other obligations in the Subordinated ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Subordinated ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(c).

## **4. NOTICES**

Each notice or demand under the Subordinated ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Subordinated ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Subordinated ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Subordinated ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd  
Mythenquai 2  
CH-8002 Zurich      Fax: +41 (0)44 625 34 99  
Attention:            Group Treasury and Capital Management  
With a copy to:      Fax: +41 (0)44 625 34 99  
Attention:            Head of Group Treasury and Capital Management

## **5. RIGHT OF PRODUCTION**

A copy of the Subordinated ZIC Guarantee will be deposited by the Guarantor with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Subordinated ZIC Guarantee.

## **6. GOVERNING LAW AND JURISDICTION**

### **(1) Governing law**

The Subordinated ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **(2) Jurisdiction**

Any dispute arising out of the Subordinated ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(d), shall fall exclusively within the jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

## **ZURICH INSURANCE COMPANY LTD**

By: \_\_\_\_\_ By: \_\_\_\_\_

## **CITICORP TRUSTEE COMPANY LIMITED**

By: \_\_\_\_\_ By: \_\_\_\_\_

Note 1: \*The Guarantee Amount in respect of a relevant tranche of Subordinated Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:  
 $GA = RA + (3 \times I) + AA$

For Floating Rate Notes:  
 $GA = RA + (3 \times EI) + AA$

For Zero Coupon Notes:  
 $GA = RA + AA$

where:

“**GA**” means Guarantee Amount;

“**RA**” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Subordinated Notes, each as defined in the applicable Final Terms;

“**T**” means the amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date;

“**EI**” means the estimated amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“**AA**” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Subordinated Notes with a variable or partial redemption amount or for Subordinated Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“Variable Notes”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]

**THE SCHEDULE**

Issuer: ..... [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (UK) plc]

Title of Subordinated Notes being issued: ..... [Specify details of the Notes (including whether the Notes are Dated or Undated Subordinated Notes)]

Date of issue of relevant Tranche: ..... [ ● ]

Guarantee Amount:..... [ ● ]

Place of payment and specified currency for the purposes of Clause 1(e): ..... [ ● ]



## TAXATION

### Luxembourg Taxation

The following information is of a general nature only and is based on ZF (Luxembourg)'s understanding of certain aspects of the laws and practice in force in Luxembourg as of the date of this Base Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Notes and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of Notes. This summary is based on the laws in force in Luxembourg on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective holders of Notes should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) and personal income tax (*impôt sur le revenu*). Corporate taxpayers may further be subject to net worth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

#### (a) Luxembourg tax residency of the holders of Notes

Investors will not become resident nor be deemed to be resident in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their rights thereunder.

#### (b) Withholding Tax

##### (i) Resident holders of Notes

Under the Luxembourg law dated December 23, 2005 (the "**Law**"), a 10 per cent Luxembourg withholding tax is levied as of January 1, 2006 on interest or similar income payments (accrued since July 1, 2005) made by Luxembourg paying agents to or for the immediate benefit of an individual beneficial owner who is resident in Luxembourg. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made as from January 1, 2008 by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive may opt for a final 10 per cent levy. In such case, the 10 per cent levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10 per cent final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

##### (ii) Non-resident holders of Notes

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated June 21, 2005 (the "**Laws**") implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of Notes. There is also no Luxembourg withholding tax upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the Notes. Under the Laws, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since July 1, 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity ("**Residual Entity**") in the sense of article 4.2. of the Savings Directive (i.e. an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC, as replaced by Directive 2009/65/EC), resident or established in another Member State of the European Union, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entity resident in any of the following territories: Aruba, British Virgin Islands, Curaçao, Guernsey, Isle of Man, Jersey, Montserrat and Sint Maarten.

The withholding tax rate is 35 per cent as from July 1, 2011. It has been publicly announced that as from January 1, 2015 the withholding tax will be replaced by the exchange of information.

In each case described here above (residents and non-residents), responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

### **(c) Taxation of the holders of Notes**

#### *(i) Taxation of Luxembourg non-residents*

Holders of Notes who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Holders of Notes who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable are liable to Luxembourg income tax on any interest received or accrued, as well as any reimbursement premium received at maturity and any capital gain realised on the sale or disposal, in any form whatsoever, of the Notes and may have to include this income in their taxable income for Luxembourg income tax assessment purposes.

#### *(ii) Taxation of Luxembourg residents*

##### *Luxembourg resident individuals*

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes, which do not constitute zero coupon notes, by an individual holder of Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. An individual holder of Notes, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised upon a sale of zero coupon Notes before their maturity by Luxembourg resident holders of Notes, in the course of the management of their private wealth, must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual holders of Notes acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in any form whatsoever, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

##### *Luxembourg corporate residents*

Luxembourg corporate holders of Notes must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

##### *Luxembourg residents benefiting from a special tax regime*

Luxembourg holders of Notes who benefit from a special tax regime, such as, for example, undertakings for collective investment subject to the amended law of December 17, 2010, specialised investment funds governed by the amended law of February 13, 2007 or family wealth management companies governed by the amended law of May 11, 2007 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to income taxes.

### **(d) Net Wealth Tax**

Luxembourg resident holders of Notes and non-resident holders of Notes who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is (i) an individual, (ii) an undertaking for collective investment subject to the amended law of December 17, 2010, (iii) a securitisation company governed by the amended law of March 22, 2004 on securitisation, (iv) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (v) a specialised investment fund governed by the amended law of February 13, 2007 or (vi) a family wealth management company governed by the amended law of May 11, 2007.

#### **(e) Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes (except in case of voluntary registration in Luxembourg).

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

#### **Swiss Taxation**

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons. The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Base Prospectus, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their own advisors as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Notes.

#### **(a) Withholding Tax**

Payments by the Issuers (other than ZIC), or by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, even though the Notes are guaranteed by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), provided that the relevant Issuer uses the proceeds from the offering and sale of the Notes outstanding outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

Payments of interest on Notes issued by ZIC will be subject to Swiss federal withholding tax at a rate of 35 per cent. Certain types of Notes issued by ZIC may classify as notes with a “predominant one-time interest payment” (*Obligationen mit überwiegender Einmalverzinsung*; see below “—Income Taxation on Principal or Interest”). A “one-time interest payment” will be subject to the Swiss federal withholding tax upon redemption of the Notes. Restricted Notes and Restricted Capital Notes will not be subject to the Swiss federal withholding tax.

A holder of a Note issued by ZIC who resides in Switzerland and who, at the time the payment of interest is due, is the beneficial recipient of the payment of interest and, in the case of a holder who is an individual, duly reports the gross payment of interest in his or her tax return and, in the case of a holder who is a legal entity or an individual required to keep accounting books, includes such payment as earnings in its income statement, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax. A holder of a Note issued by ZIC who does not reside in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, between Switzerland and the country of residence of such holder.

On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent on any payment of interest in respect of a Note (including, as the case may be, payment by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)) under the Guarantee) to an individual resident in Switzerland or to a person (not only individual) resident outside Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would pursuant to the Conditions be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

#### **(b) Stamp Taxes**

The issue of Notes by the Issuers and the issue of the Guarantee by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK) on the relevant closing date to the initial subscribers) are not subject to Swiss federal stamp duty on

the issue of securities and Swiss federal stamp duty on the dealing in securities (primary market). Secondary market dealings in Notes with a maturity in excess of 12 months where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.15 per cent of the purchase price of the Notes in the case of Notes issued by ZIC and at a rate of up to 0.3 per cent of such purchase price in the case of Notes issued by the other Issuers. Where both the seller and the purchaser of the Notes (whether or not issued by ZIC) are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable. Restricted Notes are not subject to Swiss federal stamp duty on dealings in securities.

### **(c) Income Taxation on Principal or Interest**

#### *(i) Notes held by non-Swiss holders*

Payments by the Issuers, or by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), of interest and repayment of principal to, and gain realised on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the current taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business in Switzerland to which such Note is attributable will not be subject to any Swiss federal, cantonal or communal income tax (as concerns the Swiss federal withholding tax see above "Withholding Tax").

#### *(ii) Notes held by Swiss resident holders as private assets*

*Notes without a "predominant one-time interest payment"*: If the yield-to-maturity of a Note predominantly derives from periodic interest payments and not from a one-time-interest-payment such as an original issue discount or a repayment premium (see below "Notes with a predominant one-time interest payment"), then a holder who is an individual resident in Switzerland and who holds the Note as a private asset is required to include in his or her personal income tax return for the relevant tax period any periodic interest payments and any one-time interest payment received on the Note and will be taxable on any net taxable income (including such amounts) for the relevant tax period. A gain (which may include interest accrued) realised on the sale of such a Note is a tax-free private capital gain, and a loss realised on the sale of such a Note a non-tax deductible private capital loss.

*Notes with a "predominant one-time interest payment"*: If the yield-to-maturity of a Note predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments, then a holder who is an individual resident in Switzerland and holds the Note as a private asset, is required to include in his or her personal income tax return for the relevant tax period any periodic interest payments received on the Note and, in addition, any amount equal to the difference between the value of the Note at redemption or sale, as applicable, and its value at issuance or secondary market purchase, as applicable, and converted into Swiss Francs at the exchange rate prevailing at the time of sale or redemption, issuance or purchase, respectively, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. Any value decreases realised on such Note on sale or redemption may be offset by such a holder against any gains (including periodic interest payments) realised by him or her within the same taxation period from other securities with a predominant one-time interest payment.

See "*Notes held as Swiss business assets*" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

#### *(iii) Notes held as Swiss business assets*

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings and leveraged transactions in securities.

### **(d) Final Foreign Withholding Taxes**

On 1st January 2013, treaties on final withholding taxes of Switzerland with the United Kingdom and Austria entered into force (each a "**Contracting State**"). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*Abgeltungssteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items, all as defined in the treaties, deriving from assets, including the Notes and the Guarantee, as applicable, held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State or, (ii) if certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. The flat-rate tax withheld substitutes the ordinary income tax on the respective capital gains and income items, in the Contracting State where the individual is tax resident. In order to avoid the withholding of the flat-rate tax by the Swiss paying agent, such

individuals may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries, and negotiations are currently being conducted with Greece and Italy.

## **United Kingdom Taxation**

The following is a summary of the United Kingdom withholding taxation treatment and reporting obligations based on UK law and HM Revenue & Customs published practice at the date hereof in relation to payments of interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes (and for the avoidance of doubt do not include consideration of direct taxation of income on which tax may or may not be withheld). The comments are made on the assumption that neither ZF (Luxembourg) nor ZIC is resident in the United Kingdom for United Kingdom tax purposes, is issuing the Notes for the purposes of or in the course of a trade or other business carried on by it in the United Kingdom or pays interest on the Notes which has a United Kingdom source. The comments relate only to the position of persons who are absolute beneficial owners of the Notes (and may not apply to certain classes of Noteholders (such as dealers and persons who are connected or associated with the Issuer for relevant tax purposes)). Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that series and other Tranches of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### **(a) Interest on the Notes issued by ZF (UK)**

The Notes issued by ZF (UK) which carry a right to interest will constitute “quoted Eurobonds” within the meaning of section 987 of the UK Income Tax Act 2007 (the “Act”) as long as they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Act. Securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange (the regulated market of the Luxembourg Stock Exchange is a recognised stock exchange for these purposes) and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

Accordingly, payments of interest on such Notes issued by ZF (UK) may be made without withholding for or on account of UK income tax provided such Notes are and remain so listed and admitted to trading at the time of payment.

In all other cases, interest on the Notes issued by ZF (UK) may fall to be paid under deduction of United Kingdom income tax at the basic rate, which is currently 20 per cent, subject to such relief as may be available under an applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes issued by ZF (UK) with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

### **(b) Payments by the Guarantor**

If any payments are made pursuant to a Senior ZIC Guarantee or a Subordinated ZIC Guarantee in respect of interest on Notes issued by ZF (UK) (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate, which is currently 20 per cent, subject to the availability of relief under the provisions of any applicable double taxation treaty or to any other exemption which may apply (although such payments may not be eligible for the exemptions described in paragraph (a) above).

### **(c) Provision of information**

Noteholders should note that HM Revenue and Customs has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom

taxation purposes. In certain circumstances, the details provided to HM Revenue and Customs may be passed by HM Revenue and Customs to the tax authorities of certain other jurisdictions.

#### **(d) Other rules relating to United Kingdom withholding tax**

Notes issued by ZF (UK) may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (a) above, but may be subject to reporting requirements as outlined in (c) above and in “EU Savings Directive disclosure” below.

Where Notes issued by ZF (UK) are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax, and to reporting requirements as outlined in (c) above and in “EU Savings Directive disclosure” below.

The references to “interest” in this United Kingdom Taxation section above mean “**interest**” as understood in United Kingdom tax law. Such statements do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 5(d) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes).

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty and the relevant Noteholder successfully completes a claim for recovery of tax deducted under such double taxation treaty.

#### **EU Savings Directive disclosure**

Under the EU Savings Directive on taxation of savings income, each Member State is 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, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at the rate of 35 per cent pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also a number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding, a withholding system in the case of Switzerland, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission, the Council of the European Union and the European Parliament are considering a number of proposals to amend the EU Savings Directive. If any of the proposed changes are made to the Directive, they may amend or broaden the scope of the requirement discussed above.

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated dealer agreement (as further amended or supplemented from time to time, the “**Dealer Agreement**”) dated May 17, 2013 agreed with the Issuers as the basis upon which they or any of them may from time to time agree to subscribe for Notes. Any such agreement will extend to those matters stated under “Form of the Notes and the Capital Notes”, “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” and “Terms and Conditions of the Capital Notes” above. In the Dealer Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in accordance with Regulation S under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Notes in bearer form 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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed that it will offer, sell and deliver Notes (i) as part of their distribution at any time and (ii) otherwise until forty days after the completion of the distribution of all Reg. S Notes of the Tranche of which such Notes are a part, only outside the United States to non-U.S. persons in accordance with Rules 903 and 904 of Regulation S under the U.S. Securities Act. Accordingly, each Dealer has represented and agreed that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Rule 902 of Regulation S) with respect to the Notes, and that it and they have complied and will comply with the offering restrictions of Regulation S. Each Dealer has also agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Reg. S Notes from it or through it during the distribution compliance period a confirmation or 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. Terms used in the above paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold only outside the United States to persons other than U.S. persons (“**foreign purchasers**”, which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S. As used in this discussion of “Subscription and Sale” — “United States”, the terms “**Offshore transaction**”, “**United States**” and “**U.S. person**” have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).
- (2) It acknowledges that the Notes have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the U.S. Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer or any subsidiary of the Issuer, (B) outside the United States in an Offshore transaction in compliance with Rule 904 under the U.S. Securities Act, (C) pursuant to the exemption from registration provided by Rule 144 under the U.S. Securities Act (if available) or (D) pursuant to an effective registration statement under the U.S. Securities Act.
- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Reg. S Notes offered will be represented by a Reg. S Global Note. Before any interest in a Reg. S. Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a foreign purchaser, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.
- (7) It understands that each of the Reg. S Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, U.S. PERSONS. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OF THIS SECURITY OR ANY AFFILIATED PERSON OF THE ISSUER WAS THE OWNER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED IN THIS STATEMENT, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS UNDER THE U.S. SECURITIES ACT.

(8) It will not sell or otherwise transfer Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer Notes to, any “employee benefit plan” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“**ERISA**”) which is subject to Title I of ERISA or any “plan” as defined in Section 4975 of the Code, which is subject to Section 4975 of the Code (in such case, a “**Plan**”), or any entity the assets of which constitute “plan assets” of any Plan for the purposes of ERISA or Section 4975 of the Code (a “**Plan Entity**”).

(9) It acknowledges that the Trustee for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions described above have been complied with.

(10) It acknowledges that the Issuers, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Dealers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each account.

#### **Public Offer Selling Restriction under the EU Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the relevant Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.



## United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Japan

The Notes have not been and will not be registered under Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”) and disclosure under the Financial Instruments and Exchange Act has not been and will not be made with respect to the Notes. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has not, directly or indirectly, offered, sold, resold or otherwise transferred and will not, directly or indirectly, offer sell, resell or otherwise transfer any Notes or any interest therein, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering resale or otherwise transferring, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in force in any country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes any offering material in relation to such Notes and will obtain any consent, approval or permission required by it for the subscription, offer, sale or delivery by it of Notes or possession or distribution of such offering material under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such subscription, offer or sale.

No Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

**FORM OF FINAL TERMS OF THE SENIOR NOTES, DATED SUBORDINATED NOTES AND UNDATED  
SUBORDINATED NOTES**

Final Terms dated [●]

**[Zurich Finance (Luxembourg) S.A\*/  
Zurich Finance (UK) plc/Zurich Insurance Company Ltd]**  
Issue of [Aggregate Nominal Amount of Tranche] [Title of [[Dated][Undated] Subordinated] Notes]  
[Guaranteed by **Zurich Insurance Company Ltd**  
under the USD18,000,000,000  
**Euro Medium Term Note Programme**  
**Part A Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [, the supplement to the Base Prospectus, the Final Terms] [are] available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] (the Conditions). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated [●] and [●]]. [The Base Prospectuses [, the supplements to the Base Prospectus, the Final Terms] are available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

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(\* Include where ZF (Luxembourg) is the Issuer: *société anonyme* 26, Boulevard Royal, L-2449 Luxembourg, RCS number B 69748)

1. [(i)] [Guarantor (*not applicable to Notes issued by Zurich Insurance Company Ltd*): Zurich Insurance Company Ltd]
2. [(i)] Series Number: [     ]  
 [(ii)] Tranche Number: [     ]  
 [(iii)] Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]]
3. Specified Currency or Currencies: [     ]
4. Aggregate Nominal Amount of Notes admitted to trading: [     ]  
 [(i)] Series: [     ]  
 [(ii)] Tranche: [     ]
5. Issue Price: [     ] per cent of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. [(i)] Specified Denominations: [     ] [[●] and integral multiples of [●] in excess thereof [up to and including ●]. [No notes in definitive form will be issued with a denomination above [●]]
- [(ii)] Calculation Amount [     ]
7. [(i)] Issue Date: [     ]  
 [(ii)] Interest Commencement Date: [     ] [Not Applicable]
8. Maturity Date (for dated Notes only): [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable*]
9. [(i)] Interest Basis: [[●] per cent Fixed Rate]  
 [LIBOR/ EURIBOR]  
 +/- [●] per cent  
 Floating Rate]  
 [Zero Coupon]  
 (further particulars specified below)

[(ii)] Optional Deferral of interest for Subordinated Notes:	[Applicable] [Not Applicable]
[(iii)] Optional Deferral limited to 5 years upon loss of regulatory capital credit:	[Yes] [No]
[(iv)] Solvency Deferral of interest for Subordinated Notes:	[Applicable] [Not Applicable]
[(v)] Relevant Entity:	[ZIC] [ZIG]
[(vi)] Arrears of Interest payable at any time at Issuer's Election:	[Yes in whole [or in part]] [No]
10. Redemption/Payment Basis:	Redemption at par
11. Change of Interest or Redemption/Payment Basis:	[●/ Not Applicable]
12. Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13. [(i)] Status of the Notes:	[Unsubordinated/Subordinated]
[(ii)] [Status of the Guarantee:	[Unsubordinated/Subordinated]
[(iii)] [Date [Board] approval for issuance of Notes [and] Guarantee] obtained:	[ ] [and [ ]], respectively]] <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)</i>
[(iii)] Guarantee Amount (for Notes issued by Zurich Finance (Luxembourg) S.A. or Zurich Finance (UK) plc):	[ ]
14. Condition 7(b)(ix) to apply:	[Yes] [No]
15. Initial Permitted Non-Qualifying Lender[s]:	[ ]

**Provisions Relating to Interest (if any) Payable**

16. Fixed Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Rate[(s)] of Interest:	[ ] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
(ii) Interest Payment Date(s):	[ ] in each year
(iii) Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
(iv) Broken Amount(s):	[ ] per Calculation Amount payable on the interest Payment Date falling [in/on] [ ]
(v) Fixed Day Count Fraction:	[30/360/Actual/Actual ([ICMA])
(vi) Determination Dates:	[ ] in each year <i>(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])</i>
[(vii)] Mid Swap Rate:]	[Applicable/Not Applicable]
[(viii)] Specified Mid Swap Rate:]	[Not Applicable/[●]]
[(ix)] Mid Swap Rate Screen Page:]	[Not Applicable/[●]]
[(x)] Reset Determination Date:]	[Not Applicable/[●]]
[(xi)] Reset Period:]	[Not Applicable/[●]]
[(xii)] Reset Margin:]	[Not Applicable/[●]]
[(xiii)] Reset Date:]	[Not Applicable/[●]]
[(xiv)] Specified Swap Duration:]	[Not Applicable/[●]]

[(xv) Swap Rate Determination Agent:]	[Not Applicable/[●]]
17. Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i>
(i) Interest Period(s):	[ ]
(ii) Specified Interest Payment Dates:	[ ]
(iii) First Interest Payment Dates:	[ ]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(v) Additional Business Centre(s):	[ ]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(viii) Screen Rate Determination:	
– Reference Rate:	[LIBOR/EURIBOR]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
(ix) ISDA Determination:	
– Floating Rate Option:	[Applicable/ Not Applicable]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(x) Margin(s):	[+/-][ ] per cent per annum
(xi) Minimum Rate of Interest:	[ ] per cent per annum
(xii) Maximum Rate of Interest:	[ ] per cent per annum
(xiii) Day Count Fraction:	[[Actual/Actual] [Actual/Actual/ ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]]
18. Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) [Amortisation/Accrual] Yield:	[ ] per cent per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]

### Provisions Relating to Redemption

19. Call Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ] per Calculation Amount
(b) Maximum Redemption Amount:	[ ] per Calculation Amount
(iv) Notice period:	[ ]
(v) Redemption of Subordinated Notes for Accounting Event:	[Applicable/Not Applicable]
(vi) Initial Accounting Treatment Methodology:	[liabilities/equity]
(vii) Redemption of Subordinated Notes for Capital Event:	[Applicable/Not Applicable]
(viii) Redemption of Subordinated Notes for Regulatory	

Event:	[Applicable/Not Applicable]
(ix) Regular Redemption Price:	[ ] per Calculation Amount
(x) Special Redemption Price:	[ ] per Calculation Amount
20. Put Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note:	[ ] per Calculation Amount
(iii) Notice period:	[ ]
21. Final Redemption Amount of each Note	[ ] per Calculation Amount
22. Early Redemption Amount:	[ ]

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default:

	[ ]
23. Maturity Date of Dated Subordinated Notes extended upon a Solvency Event in accordance with Condition 6(a):	[Yes] [No]

### General Provisions Applicable to the Notes

24. Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days notice]
[In the case of Bearer Notes whether Bearer Notes in definitive form may be exchanged for Registered Notes in accordance with Condition 10(a):]	[Yes/No]
	[Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
[In the case of Reg. S Notes whether the Notes are to be represented on issue by a Reg. S Global Note or by Individual Registered Notes]:	Registered Notes: [Reg. S Global Note exchangeable into Individual Registered Notes if requested by the holder upon not less than 40 days' notice/only in the limited circumstances described in the Base Prospectus] [Individual Registered Notes]
[In the case of Listed Swiss Franc Notes:]	[Permanent Global SIS Note]
25. New Global Note Form:	[Yes/No]
26. Payment Business Centre(s):	[Not Applicable/[●]]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No.]
28. Consolidation provisions:	
(i) Listed Swiss Franc Note:	[Yes/No]
(ii) Identity of Principal Paying Agent and other Paying Agents:	[ ]
29. Relevant Jurisdictions:	[●]
30. Restricted Note (Condition 10(j) shall apply):	[Yes] [No]
(i) Restricted Note Minimum Denomination Amount:	[ ]
(ii) Restricted Note Transfer Amount:	[ ]
(iii) Number of Permitted Non-Qualifying Lenders	[ ]

**Responsibility**

[(Relevant third party information) has been extracted from (specify source). The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced inaccurate or misleading.]

*Signed on behalf of the Issuer:*

By:.....  
Duly authorised

By: .....  
Duly authorised

*[Signed on behalf of the Guarantor:*

By:.....  
Duly authorised

By: .....  
Duly authorised]

## PART B — OTHER INFORMATION

### 1. Listing and Admission to Trading

- (i) Listing: [Luxembourg/other (*specify*)/None].
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].]  
[Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. Ratings:

- Ratings: The Notes to be issued have been rated:
- [S & P: [●]]
- [Moody's: [●]]
- [[Other]: [●]]
- [and endorsed by [insert details]]<sup>2</sup>

### 3. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

*“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]*

### 4. [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- [(i) Reasons for the offer: [ ]  
*(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- [(ii)] Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*
- [(iii)] Estimated total expenses: [ ]. [Include breakdown of expenses.]  
*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

### 5. [Yield (Fixed Rate Notes only)

- Indication of yield: [ ]

### 6. Operational Information

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société* [Not Applicable/[●]]

<sup>2</sup> “and endorsed by...” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.



*anonyme* and the relevant identification number(s):

- (iv) Delivery: Delivery [against/free of] payment  
Names and addresses of initial Paying Agent(s): [      ]
- (v) Names and addresses of additional Paying Agent(s) (if any): [      ]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No] [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for Registered Notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case Bearer Notes must be issued in NGN form*]

### **Distribution**

7. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
8. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
9. U.S. Selling Restrictions: [Reg. S Compliance Category: TEFRA C/TEFRA D/TEFRA not applicable]
10. Additional selling restrictions: [Not Applicable/Regulation S category 1/Regulation S category 2/Regulation S category 3/*give details*]

## FORM OF FINAL TERMS OF THE CAPITAL NOTES

Final Terms dated [●]

**Zurich Insurance Company Ltd**  
Issue of [Aggregate Nominal Amount of Tranche] Capital Notes  
under the USD18,000,000,000  
**Euro Medium Term Note Programme**  
**Part A Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes set forth in the Base Prospectus dated [●] [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Capital Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes (the Conditions) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●].] This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated [●] and [●]]. [The Base Prospectuses [and the supplements to the Base Prospectus] are available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. [(i)] Series Number: [ ]
- [(ii)] Tranche Number: [ ]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)* [ ]
2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount of Notes admitted to trading: [ ]
- [(i)] Series: [ ]
- [(ii)] Tranche: [ ]

4. Issue Price:	[     ] per cent of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (i) Specified Denominations:**	[     ] [EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent) in excess thereof up to and including EUR 199,000 (or equivalent). No Notes in definitive form will be issued with a denomination above EUR 199,000]*
(ii) Calculation Amount:	[     ] [Notes issued under the Programme which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency)], or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZIC, ZF (UK) or ZF (Luxembourg) or by any entity to whose group ZIC, ZF (UK) or ZF (Luxembourg) belongs.]
6. [(i)] Issue Date:	[     ]
[(ii) Interest Commencement Date:	[     ] [Not Applicable]
7. Type of Note:	[Dated] [Undated]
Solvency Deferred Interest Limitation:	[Applicable][Not Applicable]
Relevant Solvency Deferred Interest:	[Applicable][Not Applicable]
8. Maturity Date (for dated Notes only):	[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable]
9. (i) Interest Basis:	[ [●] per cent. Fixed Rate] [specify reference rate] +/- per cent. Floating Rate (further particulars specified below)
(ii) Solvency Event:	[Applicable] [Not Applicable] [Cumulative] [Non-Cumulative]
(iii) Trigger Event:	[Applicable] [Not Applicable]
(iv) Optional Non-Payment:	[Applicable] [Not Applicable] [Cumulative] [Non-Cumulative]
(v) Optional Non-Payment limited to 5 years upon loss of regulatory capital credit:	[Yes] [No]
(vi) Relevant Entity:	[ZIC/ZIG]
(vii) Cash Settlement:	[Applicable] [Not Applicable]

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\* This wording must be included in the case of an issue of Notes where the Specified Denominations are minimum denominations of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent).

\*\* If the Maturity date of the Notes (including Notes denominated in sterling) is less than one year from the Issue Date and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) or (ii) another applicable exemption from section 19 of the FSMA must be available.

(viii) APM Settlement:	[Applicable. Time period from the beginning of deferral upon which Deferred Interest is cancelled to the extent not settled via APM is [●]] [Applicable in respect of Relevant Solvency Deferred Interest only. Time period from the beginning of deferral upon which Deferred Interest is cancelled to the extent not settled via APM is [●]] [Not Applicable]
(ix) Commercially Reasonable Efforts:	[Applicable time period during which Issuer and ZIG shall continue to use their commercially reasonable efforts to operate the APM is [●]] [Not Applicable]
(x) Intention Statement:	[Applicable. Time period for which Issuer and ZIG intend to continue to voluntarily operate the APM in relation to Optionally Deferred Interest or Solvency Deferred Interest is [●]] [Not Applicable]
(xi) Period for purposes of limb (vi) of definition of APM Deferred Settlement Date:	[Not Applicable]/[ ]
(xii) Cash Deferred Settlement Date applicable limbs:	[Limbs (iv) and/or (vi) [apply]/[do not apply]]
(xiii) Condition 3(e)(vi) to apply:	[Yes] [No]
(xiv) Condition 3(d) to apply:	[Yes] [No]
10. Redemption/Payment Basis:	Redemption at par
11. Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Call Option:	[Issuer Call] [(further particulars specified below)]
13. Date [Board] approval for issuance of Notes obtained:	[ ]
14. Method of distribution:	[Syndicated/Non-syndicated]
15. Condition 7(b)(ix) to apply:	[Yes][No]
16. Initial Permitted Non-Qualifying Lender[s]:	[ ]

#### Provisions Relating to Interest (if any) Payable

17. Fixed Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(i) Rate[(s)] of Interest:	[ ] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
(ii) Interest Payment Date(s):	[ ] in each year
(iii) Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
(iv) Broken Amount(s):	[ ] per Calculation Amount payable on the interest Payment Date falling [in/on] [ ]
(v) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
(vi) Determination Dates:	[ ] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
[(viii) Mid Swap Rate:]	[Applicable/Not Applicable]
[(ix) Specified Mid Swap Rate:]	[Not Applicable/give details]
[(x) Mid Swap Rate Screen Page:]	[Not Applicable/give details]
[(xi) Reset Determination Date:]	[Not Applicable/give details]
[(xii) Reset Period:]	[Not Applicable/give details]
[(xiii) Reset Margin:]	[Not Applicable/give details]

[(xiv) Reset Date:]	[Not Applicable/give details]
[(xv) Specified Swap Duration:]	[Not Applicable/give details]
[(xvi) Swap Rate Determination Agent:]	[Not Applicable/give details]
18. Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)</i>
(i) Specified Period(s):	[ ]
(ii) Interest Payment Dates:	[ ]
(iii) First Interest Payment Dates:	[ ]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(v) Additional Business Centre(s):	[ ]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(viii) Screen Rate Determination:	
– Reference Rate:	[ ]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
(ix) ISDA Determination:	
– Floating Rate Option:	[ ]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(x) Margin(s):	[+/-][ ] per cent per annum
(xi) Minimum Rate of Interest:	[ ] per cent per annum
(xii) Maximum Rate of Interest:	[ ] per cent per annum
(xiii) Day Count Fraction:	[Actual/Actual]/[Actual/Actual]/[ISDA/Actual 365] (Fixed)/Actual/360/30/360/360/360/Bond Basis/30E/360/Eurobond Basis/30E/360 (ISDA)]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

### Provisions Relating to Redemption

19. Call Option:	Applicable
(i) Optional Redemption Date(s):	[ ] [NB: This should take account of any regulatory requirements as to minimum periods for call options].
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ] per Calculation Amount
(b) Maximum Redemption Amount:	[ ] per Calculation Amount
(iv) Notice period:	[ ]
20.(i) Accounting Event	[Yes/No]
(ii) Initial Accounting Treatment	

- Methodology: [liabilities/equity]
21. Other Event Redemption Price: [ ]
22. Capital Event: [Yes/No]
23. Regulatory Event: [Yes/No]
24. Final Redemption Amount of each Note: [ ] per Calculation Amount
25. Early Redemption Amount: [ ]
- Special Redemption Price: [ ]
- Regular Redemption Price: [ ]
26. Maturity Date of Dated Capital Notes extended upon a Solvency Event in accordance with Condition 6(c): [Yes] [No]
- 27.(i) Maximum Period of Notice [•] days
- (ii) Minimum Period of Notice [•] days

### General Provisions Applicable to the Notes

28. Form of Notes: Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes]  
[Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]  
[In the case of Bearer Notes whether Bearer Notes in definitive form may be exchanged for Registered Notes in accordance with Condition 10(a):] [Yes/No]
- Registered Notes: [Reg. S Global Note and/or Individual Registered Notes (Specify whether/in what circumstances interests in the relevant Reg. S Global Note will be exchangeable for Individual Registered Notes and vice versa).]  
[Listed Swiss Franc Notes: Permanent Global SIS Note]
29. Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c): [Not applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 18(v) relates]
30. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
31. Principal Paying Agent: [ ]
32. Relevant Jurisdictions: [Specify if different from those set out in Condition 6(b)]
33. Restricted Capital Note (Condition 10(j) shall apply): [Yes][No]
- (i) Restricted Capital Note Minimum Denomination Amount: [ ]
- (ii) Restricted Capital Note Transfer Amount: [ ]
- (iii) Number of Permitted Non-Qualifying Lenders: [ ]

### Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would tender the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:.....

By: .....

**PART B — OTHER INFORMATION****1. Listing and Admission to Trading**

(i) Listing:

[Luxembourg/other (*specify*)/None].

(ii) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)

(iii) Estimate of total expenses related to admission to trading:

[ ]

**2. Ratings**

Ratings:

The Notes to be issued have been rated:

[S &amp; P: [●]]

[Moody's: [●]]

[[Other]: [●]]

[and endorsed by [*insert details*]]<sup>3</sup>

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*Insert one (or more) of the following options, as applicable:*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation"), although the result of such application has not yet been determined.]*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

*[[insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "CRA Regulation") and the rating it has given to the [Notes] is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

*[[insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the [Notes] is endorsed by [insert legal name of credit rating agency], which*

<sup>3</sup> “and endorsed by...” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").]

[*insert legal name of particular credit rating agency entity providing rating*] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "CRA Regulation").]

**3. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]**

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

*“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]*

**4. [Reasons for the Offer, Estimated Net Proceeds and Total Expenses:**

- (i) Reasons for the offer: [ ]  
*(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- [(ii)] Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*
- [(iii)] Estimated total expenses: [ ]  
*[Include breakdown of expenses.]*  
*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

**5. [Yield (Fixed Rate Notes only)**

Indication of yield: [ ]

**6. Operational Information**

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): [ ]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]



## GENERAL INFORMATION

1. The update of the Programme and the issue of Notes has been duly authorised by resolutions of the Board of Directors of ZF (Luxembourg) and ZF (UK) dated May 2, 2013 and May 15, 2013 respectively. The update of the Programme and the issue and guarantee of Notes has been duly authorised by resolutions of the Board of Directors of ZIC dated October 20 and 21, 2009 and May 4, 2011.
2. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market, and listed on the Official List, of the Luxembourg Stock Exchange.
3. So long as Notes are capable of being issued under the Programme, copies of the documents are, or will, when published, be available free of charge from the registered office of each Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg and the documents set out in paragraph (iv) and (v) below will also be available for viewing on the Luxembourg Stock Exchange website at [www.bourse.lu](http://www.bourse.lu):
  - (i) the constitutional documents (with, if applicable, an English translation thereof) of each Issuer;
  - (ii) the most recent audited annual financial statements of ZF (Luxembourg), ZF (UK) and ZIC (in each case with, if applicable, an English translation thereof). Neither ZF (Luxembourg), ZF (UK) nor ZIC are required to publish interim accounts;
  - (iii) the Dealer Agreement, the Trust Deed, the Agency Agreement, the forms of the bearer and registered Global Notes and the Notes in bearer definitive and individual registered form, the Coupons, the Talons, each Senior ZIC Guarantee, each Subordinated ZIC Guarantee and each agency agreement entered into in relation to an issue of Listed Swiss Franc Notes (which will contain the form of permanent global certificate in respect of such Notes);
  - (iv) a copy of this Base Prospectus;
  - (v) any future base prospectuses, information memoranda and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference, and Final Terms (save that Final Terms relating to a Note which is not admitted to listing, trading and/or quotation by any stock exchange, listing authority and/or quotation system will only be available for inspection at the registered office of the relevant Issuer by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer as to its holding and identity); and
  - (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Notes have been accepted for clearance through Euroclear (Boulevard du Roi Albert II B-1210 Brussels, Belgium), Clearstream (42 Avenue J F Kennedy, 1855 Luxembourg), Luxembourg and SIS. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg or SIS will be specified in the relevant Final Terms. The CUSIP numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, if applicable, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.
5. The auditors of ZIC, for the years commencing January 1, 2012 and 2011, are PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland who are members of the Swiss Institute of Certified Accountants and Tax Consultants. The auditors of ZF (Luxembourg), for the years commencing January 1, 2012 and 2011, are PricewaterhouseCoopers Société coopérative, 400, route d'Esch, B. P. 1443, 1014 Luxembourg, Luxembourg who are members of the Institut des Réviseurs d'Entreprises. The auditors of ZF (UK), for the years commencing January 1, 2012 and 2011, are PricewaterhouseCoopers LLP, 31 Great George Street, Bristol BS1 5QD, United Kingdom who are members of the Institute of Chartered Accountants of England and Wales. The financial statements of the Issuers and the Guarantor have been audited by their respective auditors.
6. Since December 31, 2012 there has been no material adverse change in the prospects of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.
7. Since December 31, 2012 there has been no significant change in the financial or trading position of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.
8. Save as disclosed in this Base Prospectus on pages 111-112, there are no governmental, legal or arbitration proceedings (or any such proceedings which are pending or threatened of which any of the Issuers is aware) during the 12 months before the date of publication of this Base Prospectus which may have or have had in the recent past, significant effects on the financial position or profitability of any of the Issuers or on the ZIC Group.

9. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers, the Guarantor or the Issuer's or the Guarantor's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers or the Guarantor routinely hedge their credit exposure to the Issuers or the Guarantor in accordance with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **THE ISSUERS**

**Zurich Finance  
(Luxembourg) S.A.**  
26, Boulevard Royal  
L-2449  
Luxembourg

**Zurich Finance (UK) plc**  
UK Life Centre  
Station Road  
Swindon SN1 1EL  
United Kingdom

**Zurich Insurance Company Ltd**  
Mythenquai 2  
CH-8002 Zurich  
Switzerland

**THE GUARANTOR**  
(in respect of Notes issued by  
ZF (Luxembourg) and ZF (UK))

**Zurich Insurance Company Ltd**  
Mythenquai 2  
CH-8002 Zurich  
Switzerland

## **THE AGENT AND REGISTRAR**

**Citibank, N.A.**  
21<sup>st</sup> Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **THE TRUSTEE**

**Citicorp Trustee Company Limited**  
14th Floor  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **THE PAYING AGENT AND TRANSFER AGENT**

**Banque Internationale à Luxembourg**  
69, route d'Esch  
L-2953 Luxembourg

## LEGAL ADVISERS

To Zurich Insurance Company Ltd and  
Zurich Finance (UK) plc  
**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS  
United Kingdom

To Zurich Finance (Luxembourg) S.A.  
**Arendt & Medernach**  
14, rue Erasme  
L-2082 Luxembourg  
Luxembourg

To Zurich Insurance Group Ltd  
and  
Zurich Insurance Company Ltd  
**Homburger AG**  
Prime Tower  
Hardstrasse 201  
CH-8005 Zurich  
Switzerland

To the Dealers and the Trustee in England  
**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**STATUTORY AUDITORS TO ZF (LUXEMBOURG)**  
**PricewaterhouseCoopers Société coopérative**  
400, route d'Esch  
B.P. 1443  
L-1014 Luxembourg

**AUDITORS TO ZF (UK)**  
**PricewaterhouseCoopers LLP**  
31 Great George Street  
Bristol  
BS1 5QD  
United Kingdom

**AUDITORS TO ZIC**  
**PricewaterhouseCoopers AG**  
Birchstrasse 160  
Postfach  
CH-8050 Zurich  
Switzerland

## THE DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**Crédit Agricole Corporate and Investment Bank**  
9, quai du Président Paul Doumer  
92920 Paris La Défense Cedex  
France

**Credit Suisse Securities (Europe) Limited**  
One Cabot Square  
London E14 4QJ  
United Kingdom

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## LUXEMBOURG LISTING AGENT

**Banque Internationale à Luxembourg**  
69, route d'Esch  
L-2953 Luxembourg

**APPENDIX C**  
**LOAN NOTES BASE PROSPECTUS SUPPLEMENT**

*The page numbering in the Loan Notes Base Prospectus Supplement set out in this Appendix C to this Prospectus follows the page numbering in the Loan Notes Base Prospectus Supplement and not the page numbering in this Prospectus.*

**PROSPECTUS SUPPLEMENT DATED 15 JULY 2013 TO THE BASE PROSPECTUS DATED  
17 MAY 2013**

**Zurich Finance (Luxembourg) S.A.**  
*(incorporated with limited liability in the Grand Duchy of Luxembourg)*  
**Zurich Finance (UK) plc**  
*(incorporated with limited liability in England and Wales)*  
**Zurich Insurance Company Ltd**  
*(incorporated with limited liability in Switzerland)*

irrevocably guaranteed in the case of Notes issued by Zurich Finance (Luxembourg)  
S.A. and Zurich Finance (UK) plc by

**ZURICH INSURANCE COMPANY LTD**

**U.S.\$18,000,000,000**  
**Euro Medium Term Note Programme**

This document constitutes a prospectus supplement (the “**Prospectus Supplement**”), to the base prospectus dated 17 May 2013 (the “**Base Prospectus**”) for the purposes of article 16 of the Prospectus Directive (as defined below) and must be read in conjunction with such Base Prospectus. Full information on the Issuers and the Guarantor and the offer of any Notes is only available on the basis of the combination of this Prospectus Supplement and the Base Prospectus. Copies of such Base Prospectus and this Prospectus Supplement have been filed with the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and published and are available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and at the head office of the Guarantor.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

Terms used herein shall have the same meaning as ascribed to them in the Base Prospectus which constitutes three base prospectuses for the purposes of article 5.4 of the Prospectus Directive (Directive 2003/71/EC, as amended), approved by the CSSF in accordance with (i) article 7 of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the “**Prospectus Law**”) implementing article 13 of Directive 2003/71/EC, as amended of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended (the “**Prospectus Directive**”); and (ii) the relevant annex(es) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement and (b) any other statement in or incorporated into the Base Prospectus, the statements in this Prospectus Supplement will prevail.

Except as disclosed in this Prospectus Supplement, to the best of the knowledge and belief of each of the Issuers and the Guarantor, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base

Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

The distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms and the offering or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Prospectus Supplement or any Final Terms come are required by the Issuers, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Base Prospectus, this Prospectus Supplement, any Final Terms and other information in relation to the Issuers, the Guarantor and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, the United Kingdom and Japan.

For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms, see “Subscription and Sale” in the Base Prospectus. 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, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Base Prospectus, this Prospectus Supplement or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

## **RESPONSIBILITY**

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Prospectus Supplement as described above. Each of the Issuers and the Guarantor confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

## **SUPPLEMENTAL DISCLOSURE IN RELATION TO ZURICH INSURANCE COMPANY LTD**

The description of Zurich Insurance Company Ltd (“**ZIC**”) on pages 99 to 111 (inclusive) of the Base Prospectus is supplemented by the addition of the following disclosures under a new heading of “Subsequent Events” inserted by this Prospectus Supplement on page 111.

### **“Zurich Insurance Group issues estimates of losses related to floods in Central and Eastern Europe and U.S. tornadoes**

On 11 July 2013, the Zurich Insurance Group announced that it estimates losses of approximately USD 140 million related to floods in Central and Eastern Europe and approximately USD 138 million, for both Zurich North America and Farmers Re together, related to two severe tornadoes, which hit Oklahoma City Metropolitan Area in May this year. These estimates are net of reinsurance and before tax and will be



recorded in the Zurich Insurance Group's half-year results, which are due to be released on August 15, 2013.

The losses in Central and Eastern Europe resulted from severe flooding, the worst in the region in more than a decade, which caused extensive damage along the Danube and Elbe main watersheds in May and June 2013.

The losses in the U.S. are related to two severe tornadoes, which hit Oklahoma City Metropolitan Area in May this year. The estimated amount for Zurich's North America Commercial and Global Corporate in North America businesses is approximately USD 52 million. The estimated amount for Zurich's Farmers Re business is approximately USD 86 million, reflecting the reinsurance cover provided to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group.

### **ZIC reduces its stake in New China Life Insurance Company Ltd. to 9.4%**

On 12 July 2013, the Zurich Insurance Group announced that its wholly-owned subsidiary, ZIC, has successfully priced the sale of 97.5 million H shares (the "**Sale Shares**") in New China Life Insurance Company Ltd. ("**NCI**"), representing 3.1% of the total issued share capital of NCI. The sale of the Sale Shares is being carried out by way of a private placement to a small group of institutional investors conducted on the Hong Kong Stock Exchange.

The Sale Shares have been priced at HKD 22.50 (approximately USD 2.90) per share. Upon the completion of the sale, which is expected to take place on 16 July 2013, the gross sale proceeds to be realized will be HKD 2,194 million (approximately USD 283 million).

Following completion of the transaction, ZIC will continue to hold 292.5 million H shares in NCI, representing approximately 9.4 % of the total issued share capital of NCI."

**APPENDIX D**  
**LOAN NOTES CONDITIONS**

*The page numbering in the Loan Notes Conditions set out in this Appendix D to this Prospectus follows the page numbering in the Loan Notes Conditions and not the page numbering in this Prospectus.*

## TERMS AND CONDITIONS OF THE SENIOR NOTES, DATED SUBORDINATED NOTES AND UNDATED SUBORDINATED NOTES

*The following are the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes which will be endorsed on each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to “**Form of the Notes and the Capital Notes**” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (USA), Inc. (“**ZF (USA)**”), Zurich Finance (UK) plc (“**ZF (UK)**”), Zurich Bank (“**Zurich Bank**”) or Zurich Insurance Company Ltd (“**ZIC**”) and, together with ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank, the “**Issuers**” and each an “**Issuer**”) and references in these Terms and Conditions to the “**relevant Issuer**” shall be to the issuer of the Notes named in the applicable Final Terms (as defined below), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated May 15, 2012 made between the Issuers, Zurich Insurance Group Ltd (“**ZIG**”) and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Global Note, all as defined below), units of the lowest Specified Denomination in the Specified Currency; and
- (ii) in relation to any Notes in definitive bearer form (“**Definitive Bearer Notes**”) issued in exchange for an interest or interests in a Global Note in bearer form (“**Bearer Global Note**”), units of the lowest Specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Reg. S Global Note, units of the lowest Specified Denomination in the Specified Currency.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “**Agency Agreement**” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Notes as referred to in Condition 5(e)) dated May 15, 2012 and made between the Issuers, Citibank, N.A. as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Banque Internationale à Luxembourg société anonyme (the “**Luxembourg Listing Agent**”), the registrars named therein (each, a “**Registrar**”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents) and the Trustee.

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes do not have Receipts or Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”) in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single

series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement, any applicable Senior ZIC Guarantee (as defined below), any applicable Subordinated ZIC Guarantee (as defined below) and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee as to its holding of Notes and as to identity. The Noteholders, the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, and are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Senior ZIC Guarantee, the Subordinated ZIC Guarantee and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

### 1. Form, Denomination and Title

The Notes are either in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) as specified in the applicable Final Terms and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note, each as defined in the applicable Final Terms, or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

This Note is a Listed Swiss Franc Note if it is denominated or payable in Swiss francs and listed on the SIX Swiss Exchange and the applicable Final Terms so state.

Each Listed Swiss Franc Note will be represented exclusively by a Permanent Global SIS Note in bearer form which will be deposited with SIX SIS AG, Olten, Switzerland (“**SIS**”), or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (with respect to any such Permanent Global SIS Note, SIS or such other intermediary, the “**Intermediary**”) on or prior to the original issue date of such Note. As a matter of Swiss law, once the Permanent Global SIS Note has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Listed Swiss Franc Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (the “**Intermediated Securities**”). The Permanent Global SIS Note will be exchangeable for definitive Notes in whole but not in part only if the Swiss paying agent should, after consultation with the relevant Issuer, deem the printing of definitive Notes to be necessary or useful, or if the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of Noteholders, or if the Swiss paying agent at any time at its discretion determines to have definitive Notes issued; holders of Listed Swiss Franc Notes will not have the right to effect or demand the exchange of the Permanent Global SIS Note representing such Listed Swiss Franc Notes into, or delivery of, Notes in definitive or un-certificated form. If definitive Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Listed Swiss Franc Notes in such holders' securities accounts. As a matter of Swiss law, a holder of an interest in the Permanent Global SIS Note retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of the Notes represented by such Permanent Global SIS Note in which such holder has an interest; provided, however, that, for so long as the Permanent Global SIS Note remains deposited with the Intermediary (i.e., for so long as the Notes represented thereby constitute Intermediated Securities), the co-ownership interest is suspended and the Notes represented thereby may only be transferred by the entry of the transferred Notes in a securities account of the transferee. For so long as Notes constitute Intermediated Securities, as a matter of Swiss law, (i) the records of the Intermediary will determine the number of Notes held through each participant of the Intermediary and (ii) the holders of such Notes will be the persons holding such Notes in a securities account (*Effektenkonto*) that is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Notes for their own account in a securities account (*Effektenkonto*) that is in their name.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Receipts, Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which, if the Bearer Global Notes are not intended to be issued in new global note (“**NGN**”) form will be delivered to the common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg

("**Clearstream, Luxembourg**") and, if the Bearer Global Notes are intended to be issued in NGN form, will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or after the end of the Distribution Compliance Period (as defined above), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Receipts, Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached (i) if an Event of Default (as defined in Condition 9) occurs in respect of any Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Notes with minimum denomination of EUR 100,000 and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the U.S. in reliance on Regulation S under the U.S. Securities Act of 1933, as amended, will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Note in registered form, without Receipts, Coupons or Talons, (the "**Reg. S Global Note**") which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Notes in individual registered form ("**Individual Registered Notes**") issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the U.S. Securities Act, together with the Reg. S Global Notes, are referred to herein as "**Reg. S Notes**". Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Individual Registered Notes from the date of issue may, if specified in the applicable Final Terms, be issued in reliance on Regulation S under the U.S. Securities Act.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable laws or as otherwise ordered by a court of competent jurisdiction or an official authority) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

References in these Terms and Conditions 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 (including SIS) approved by the relevant Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

## **2. Status of the Notes**

### **(a) Senior Notes**

This Condition 2(a) is only applicable to senior Notes ("**Senior Notes**") issued by the relevant Issuer which are described in the applicable Final Terms as being issued on an unsubordinated basis.

The Senior Notes and the relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves save for statutorily preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## (b) Subordinated Notes

This Condition 2(b) is only applicable to dated subordinated notes (“**Dated Subordinated Notes**”) and undated subordinated notes (“**Undated Subordinated Notes**”) issued by the relevant Issuer. Dated Subordinated Notes and Undated Subordinated Notes are together referred to as “**Subordinated Notes**”. The provisions of this Condition 2(b) are subject to such further provisions in respect of Subordinated Notes as may be specified in the applicable Final Terms and Condition 2(c) below.

## (c) Ranking on a winding-up

The Subordinated Notes and the relative Receipts and Coupons will, save as otherwise specified in the applicable Final Terms, constitute direct, subordinated and unsecured obligations of the relevant Issuer and will rank *pari passu*, without any preference, among themselves. The Subordinated Notes and relative Receipts and Coupons will, save as otherwise specified in the applicable Final Terms, rank on a winding-up of the relevant Issuer:

- (i) after the claims of any Senior Creditors (as defined below) of the relevant Issuer;
- (ii) *pari passu* with the claims (a) of the holders of other Undated Subordinated Notes and Dated Subordinated Notes of the relevant Issuer; (b) of other creditors of the relevant Issuer whose claims rank or are expressed to rank *pari passu* with the claims of the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer; and (c) (in the case where ZIC is the relevant Issuer) under the Subordinated ZIC Guarantee (as defined below); and
- (iii) prior to claims of the holders of any Capital Notes (as defined in the Trust Deed) (in the case where ZIC is the relevant Issuer), and of any other subordinated obligations of the relevant Issuer which rank or are expressed to rank junior to the claims of (a) the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

Save as otherwise specified in the applicable Final Terms, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the relevant Issuer, there shall be payable in such winding-up, liquidation or dissolution on each Subordinated Note, subject to and after the claims of all Senior Creditors and prior to any payment to the holders of debt that ranks or is expressly designated as ranking junior to the Subordinated Notes, or holders of issued shares at such time in the relevant Issuer, an amount equal to the principal amount of such Subordinated Notes together with interest which has accrued up to, but excluding, the date of repayment (including any Arrears of Interest (as defined below)).

As used herein, save as otherwise specified in the applicable Final Terms, “**Senior Creditors**” of an entity means:

- (i) all unsubordinated creditors of that entity;
- (ii) all creditors of that entity whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise; and
- (iii) in the case of a relevant Issuer, all other subordinated creditors of that entity except those whose claims rank or are expressed to rank *pari passu* with or junior to the claims (a) of the Noteholders of the Undated Subordinated Notes or Dated Subordinated Notes of such relevant Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

Subject to applicable law, neither the Trustee nor any Noteholder of the Subordinated Notes may, save as otherwise specified in the applicable Final Terms, exercise or claim any right of set-off in respect of any amount owed to it by the relevant Issuer arising under or in connection with the Subordinated Notes and each such Noteholder of such Subordinated Note shall, by virtue of being the Noteholder of any of the Subordinated Notes, be deemed to have waived all such rights of set-off.

*For the avoidance of doubt, the obligations of ZIC in relation to either Subordinated Notes issued by it or under a Subordinated ZIC Guarantee (see Condition 3(b) below) will, unless the applicable Final Terms provide otherwise, rank on a winding-up, liquidation, dissolution or other similar proceedings:*

- (a) *pari passu with the obligations of ZIC in respect of its €425m 7.5% Subordinated Notes due 2039 and in respect of its guarantee of the €500m 5.75% Subordinated Notes due 2023, the €500m 4.5% Subordinated Notes due 2025, the £450m 6.625% Undated Subordinated Notes, the CHF700m 4.25% Undated Subordinated Notes, the CHF500m 4.625% Undated Subordinated Notes and any future Subordinated Notes issued by ZIC; and*
- (b) *senior to the obligations of ZIC in respect of its subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust IV and ZFS Finance (USA) Trust V and its obligations under the €143m 12% Capital Notes, the U.S.\$500m 8.250 % Undated Reset Capital Notes and any future Capital Notes.*

## 3. Senior ZIC Guarantee, Subordinated ZIC Guarantee and Negative Pledge

### (a) Senior ZIC Guarantee

Where the relevant Issuer is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, the payment of principal and interest in respect of Senior Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed by ZIC pursuant to a

guarantee agreement dated the issue date of the relevant Tranche of Notes (the “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee provides that the Guarantor will within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of Notes or the Trust Deed should have been paid. The Senior ZIC Guarantee, which is governed by Swiss law, is limited to a maximum amount stated in the relevant Senior ZIC Guarantee. The obligations of ZIC under the Senior ZIC Guarantee in respect of unsubordinated Notes constitute direct, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. No Noteholder, Couponholder or Receiptholder will be entitled to proceed directly against ZIC unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

#### **(b) Subordinated ZIC Guarantee**

Where the relevant Issuer of Subordinated Notes is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, the payment of principal and interest in respect of the Subordinated Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed on a subordinated basis by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of the Subordinated Notes (the “**Subordinated ZIC Guarantee**”). Each Subordinated ZIC Guarantee provides that the Guarantor will, within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid, make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of the Subordinated Notes or the Trust Deed should have been paid. The Subordinated ZIC Guarantee, which is governed by Swiss law, is limited to the maximum amount stated in the relevant Subordinated ZIC Guarantee. The obligations of ZIC under the Subordinated ZIC Guarantee in respect of the Subordinated Notes issued by the relevant Issuer constitute direct, subordinated and unsecured obligations of the Guarantor. Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the Guarantor (like “**Nachlassstundung**”), rank *pari passu* with the claims of holders of Subordinated Notes issued by ZIC as described in Condition 2(c).

#### **(c) Negative Pledge**

This Condition 3(c) is only applicable to Senior Notes.

So long as any of the Notes of the relevant Series remains outstanding (as defined in the Trust Deed), the relevant Issuer (except where ZIC or Zurich Bank is the relevant Issuer) will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, property, assets or revenues present or future to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, such Issuer’s obligations under the Notes, the Receipts, the Coupons and the Trust Deed (i) are secured equally and rateably therewith to the satisfaction of the Trustee, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of the relevant Series or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the relevant Series.

For the purposes of this Condition, “**Relevant Debt**” means any present or future indebtedness of the relevant Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities of such Issuer or such other person which are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange, over-the-counter or other securities market.

### **4. Interest**

#### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and (if applicable) on the Maturity Date or other date fixed for redemption if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each calculation amount as specified in the applicable Final Terms (“**Calculation Amount**”) multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the

relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Conditions “**Fixed Day Count Fraction**” means:

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
  - (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) number of Regular Periods normally ending in any year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**sub-unit**” with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

If the applicable Final Terms specify that a Mid Swap Rate is applicable to interest payable on Interest Payment Dates falling in a specified period (the “**Reset Period**”), the Notes will bear interest during such Reset Period at a rate determined on the Reset Determination Date as being the aggregate of the Reset Margin and the Specified Mid Swap Rate. The Specified Mid Swap Rate shall be the mid-market swap rate for the Specified Swap Duration, expressed as a percentage, which appears on the Mid Swap Rate Screen Page (or such other page as may replace that page, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates) at 11.00 a.m. (local time) on the Reset Determination Date. If swap rates do not appear on the Mid Swap Rate Screen Page, the Specified Mid Swap Rate shall be determined by the Swap Rate Determination Agent (which, unless otherwise specified in the applicable Final Terms, shall be the Agent) on the basis of (i) quotations provided by the principal office of each of four major banks in the relevant swap market of the rates at which swaps in the applicable currency are offered by it at approximately 11.00 a.m. (local time) on the Reset Determination Date to participants in the relevant swap market for the period equal to the Specified Swap Duration; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

The Swap Rate Determination Agent will at, or as soon as practicable after, each time at which the Specified Mid Swap Rate is to be determined, determine the Specified Mid Swap Rate for the relevant Reset Period and notify the Agent as soon as practicable after determining the same.

The Agent will cause the Specified Mid Swap Rate to be notified to the relevant Issuer and any stock exchange on which the relevant Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter.



If for any reason the Swap Rate Determination Agent at any time after the Issue Date defaults in its obligation to determine the Specified Mid Swap Rate, the Trustee shall determine the Specified Mid Swap Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and any such determination shall be deemed to have been made by the Swap Rate Determination Agent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(a), whether by the Swap Rate Determination Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Swap Rate Determination Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Trustee or the Swap Rate Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **(b) Interest on Floating Rate Notes and Indexed Interest Notes**

##### *(i) Interest Payment Dates*

Each Floating Rate Note and Indexed Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Final Terms and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions “**TARGET system**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on November 19, 2007 or any successor thereto.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or the European inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than the London inter-bank offered rate or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specify a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specify a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, or the Calculation Agent specified in the applicable Final Terms, in the case of Indexed Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine

the Rate of Interest for the relevant Interest Period. In the case of Indexed Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Indexed Interest Notes in respect of each Calculation Amount for the relevant Interest Period.

Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if “Actual/Actual” or “Actual/Actual/ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer and any stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason the Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

*(vii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

#### (d) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

#### (e) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

#### (f) Special provisions in relation to Subordinated Notes

This Condition 4(f) is only applicable to Subordinated Notes:

##### (i) *Optional deferral of interest*

If so specified in the applicable Final Terms, there may be paid, on each Optional Interest Payment Date, interest accrued in respect of the Interest Period which ends on such Optional Interest Payment Date but the relevant Issuer shall have the option to defer payment of interest on the Notes which would otherwise be payable on such date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 4(f)(i) but without prejudice to the provisions of Condition 4(f)(ii), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Notes under the Applicable Regulations (as defined below), the relevant Issuer will only be allowed to exercise its option under this Condition 4(f)(i) to defer payment of interest on the Notes on such Optional Interest Payment Date for a period of up to five years (a “**Fixed Term Deferred Interest Payment**”). The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 4(f)(i) will not constitute an Event of Default by the relevant Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom, the Guarantor, shall notify the Trustee and the Noteholders, immediately as soon as it becomes aware that an Interest Payment Date will be an 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 relevant Issuer may defer paying interest on each Optional Interest Payment Date until the Notes become due and payable as described in Condition 4(f)(iii).

For the purpose of this Condition 4(f), “**Optional Interest Payment Date**” means any Interest Payment Date in respect of which during the six month period ending thereon, but subject as provided in the next paragraph, (i) no dividend has been declared or paid on any class of share capital of ZIG; and (ii) (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest, distribution or other payments (including payment for the purpose of a redemption or repurchase) have been made on any securities issued (or guaranteed) by (a) ZIC as the relevant Issuer or Guarantor and the claims in respect of such securities or, as applicable, guarantee rank junior to, or *pari passu* with, the claims of holders of Subordinated Notes issued by ZIC or, as applicable, under a ZIC Subordinated Guarantee or (b) ZIG (unless, in each case aforesaid, such payment was compulsory on such securities or required due to the repayment of such securities).

Notwithstanding the immediately preceding paragraph, any Interest Payment Date which would otherwise not be an Optional Interest Payment Date by reason of one or more of the following events shall be treated as an Optional Interest Payment Date:

- (aa) repurchases, redemptions or other acquisitions of ZIG’s ordinary shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of ZIG’s ordinary shares (or securities convertible into or exercisable for ZIG’s ordinary shares) as consideration in an acquisition transaction entered into prior to the applicable deferral period;
- (bb) as a result of any exchange or conversion of any class or series of ZIG’s ordinary shares (or any capital stock of any of its subsidiaries) for any class or series of common stock or of any class or series of its indebtedness (or for the indebtedness of any of its subsidiaries);
- (cc) the purchase of fractional interests in ZIG’s ordinary shares, pursuant to the conversion or exchange provisions of such ZIG’s ordinary shares, or the security being converted or exchanged;
- (dd) any declaration of a dividend in connection with any shareholders’ rights plan, or the issuance of rights, stock or other property under any shareholders’ rights plan, or the redemption or repurchase of rights pursuant thereto;
- (ee) any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock; or

- (ff) payments of interest on any Subordinated Notes and any other obligations which rank pari passu with the Subordinated Notes rateably and in proportion to the respective amounts as at such Interest Payment Date of (y) accrued and unpaid interest on such other obligations, on the one hand, and (z) if applicable, Arrears of Interest and any other accrued and unpaid interest on the Subordinated Notes, on the other hand.

(ii) *Solvency Deferral of Interest*

If Solvency Deferral is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Deferral Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the relevant Issuer shall defer such Interest Payment, and shall defer the relevant Solvency Shortfall if, were the relevant Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur except that the relevant Issuer will not be required to defer such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment. The deferral of any Interest Payment or part thereof in accordance with this Condition 4(f)(ii) will not constitute an Event of Default and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom the Guarantor, shall give notice of such deferral to the Trustee (together with the certificate of the occurrence of a Solvency Event referred to below), and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. A certificate as to the occurrence of a Solvency Event signed by two Directors of the relevant Issuer or ZIG, shall, in the absence of manifest error, be treated and accepted by the relevant Issuer, the Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

**“Applicable Regulations”** means, with respect to the Relevant Entity at any time, the regulatory capital requirements applicable to such entity and/or its group at such time including, but not limited to, such insurance regulatory law (for group solvency or single solvency and/or financial conglomerate purposes, as applicable) and/or applicable generally recognised administrative practice, if any, of FINMA or any Successor Authority.

**“Assets”** means, where ZIC is specified in the relevant Final Terms as being the Relevant Entity, ZIC’s consolidated total assets and, where ZIG is specified in the relevant Final Terms as being the Relevant Entity, ZIG’s consolidated total assets, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Deferral Determination Date”** means, in respect of an Interest Payment Date, the 20<sup>th</sup> business day in Zurich preceding such Interest Payment Date.

**“FINMA”** means the Swiss Financial Market Supervisory Authority FINMA in Switzerland.

**“Interest Payment”** means, with respect to an Interest Payment Date, the interest scheduled to be paid on such Interest Payment Date.

**“Liabilities”** means, where ZIC is specified in the applicable Final Terms as being the Relevant Entity, ZIC’s consolidated total liabilities and, where ZIG is specified in the applicable Final Terms as being the Relevant Entity, ZIG’s consolidated total liabilities, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

**“Relevant Entity”** means ZIC and/or ZIG, as specified in the applicable Final Terms.

A **“Solvency Event”** shall be deemed to have occurred as at any date if as at such date:

- (i) the Relevant Entity does not at such date have appropriate funds to cover the required minimum solvency margin or meet any other required level of own funds regulatory capital (or another applicable term in case of a change in Applicable Regulations) in accordance with Applicable Regulations and a deferral or, as applicable, cancellation of interest is required under the Applicable Regulations; or
- (ii) the Relevant Entity is unable to pay its debts owed to its Senior Creditors (as defined in Condition 2(c)) as they fall due; or
- (iii) the Relevant Entity’s Assets do not exceed its Liabilities (each as defined above) (other than liabilities to persons who are not Senior Creditors); or
- (iv) FINMA or a Successor Authority has given (and not withdrawn) notice to the Relevant Entity that it has determined, in view of the financial and/or capital position of the Relevant Entity, that in accordance with Applicable Regulations at such time, the relevant Issuer must take specified action in relation to payments on the Notes; or

- (v) the Relevant Entity's auditors cannot give a confirmation pursuant to Article 725(2) of the Swiss Code of Obligations or any equivalent provision under applicable laws.

**“Solvency Shortfall”** means the portion of interest that would cause a Solvency Event to occur or be continuing.

**“Successor Authority”** means any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over ZIC and/or the Zurich Insurance Group.

(iii) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date (including any Solvency Shortfall), together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of this Condition 4(f), shall, so long as the same remains unpaid, constitute **“Arrears of Interest”**. Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f), shall not themselves bear interest. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f) may, if so specified in the applicable Final Terms and subject to obtaining the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time), be satisfied at the option of the relevant Issuer in whole or in part, at any time upon the expiry of not less than 15 nor more than 30 days' notice to such effect given by the relevant Issuer or the Guarantor to the Trustee and to the Noteholders in accordance with Condition 13 and in any event such Arrears of Interest and any other amount payment of which is deferred in accordance with this Condition 4(f) will, save as otherwise specified in the applicable Final Terms and as provided below, automatically become immediately due and payable upon the earliest of the following dates:

- (A) the date upon which a dividend is next declared or paid on any class of share capital of ZIG; or
- (B) the date of redemption, substitution or variation of any Notes pursuant to Condition 6(a), Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f); or
- (C) the commencement of the winding-up or dissolution of the relevant Issuer or, as the case may be, the Guarantor (except for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or a reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation); or
- (D) the date upon which the relevant Issuer or, as the case may be, the Guarantor pays interest on any other junior or *pari passu* securities of the relevant Issuer or the Guarantor (unless such payment was compulsory on such securities or required due to the repayment of such securities); or
- (E) in the case of a Fixed Term Deferred Interest Payment only, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Notwithstanding the foregoing, Arrears of Interest arising pursuant to Condition 4(f)(ii) will only be due and payable by reason of items (A) and (D) above following the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time) and provided the relevant dividend or interest payment under item (A) or (D) is not one of a type described in paragraphs (aa) to (ff) in Condition 4(f)(i).

## 5. Payments

### (a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction (whether by operation of law or agreement of the relevant Issuer or the Guarantor or its Agents and neither the relevant Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements), but without prejudice to the provisions of Condition 7. References to “Specified Currency” will include any successor currency under applicable law.

## **(b) Presentation of Notes, Receipts and Coupons**

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the U.S. (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

In respect of Definitive Bearer Notes payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt in the manner provided in the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5(a) above only against presentation and surrender of the relevant Definitive Bearer Note in the manner provided in the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Indexed Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable, all unmatured Talons (if any) appertaining hereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Indexed Interest Note or Long Maturity Note (as defined below) in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Definitive Bearer Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the U.S.. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Bearer Global Note and the relevant Issuer or, as the case may be, ZIC will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the U.S. if:

- (i) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) have appointed Paying Agents with specified offices outside the U.S. with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at



such specified offices outside the U.S. of the full amount of principal and interest on the Notes in the manner provided above when due;

- (ii) payment of the full amount of such principal and interest at all such specified offices outside the U.S. is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under U.S. law without involving, in the opinion of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer), adverse tax consequences to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer).

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a), above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note and payments of instalments (if any) of principal on a Registered Note, other than the final instalment, will be made to the person in whose name such Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except December 25 and January 1, and (ii) where in individual form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

### **(c) Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Final Terms, “**Payment Day**” means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Payment Business Centre specified in the applicable Final Terms and, in the case of Notes in individual form only, in the relevant place of presentation; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Additional Business Centre) or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET system is operating.

### **(d) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iii) the Early Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iv) the Optional Redemption Amount(s) (as specified in the applicable Final Terms) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms);
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as specified in the applicable Final Terms); and
- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

### **(e) Payments on Listed Swiss Franc Notes**

The receipt by the Principal Paying Agent named in the applicable Final Terms (the “**Principal Paying Agent**”) from the relevant Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the relevant Issuer under such Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

### **(f) Definitions**

In this Condition 5, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 109l(4) of the Treaty establishing the European Community;

“**Euro**” means the single currency adopted by those states participating in European Monetary Union from time to time.

## **6. Redemption and Purchase**

### **(a) At Maturity**

This Condition 6(a) is applicable to Notes other than Undated Subordinated Notes.

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date provided that, in the case of Dated Subordinated Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Subordinated Notes shall not be redeemed unless the prior written approval of FINMA or any Successor Authority for such payment has been given. If a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each Dated Subordinated Note will be redeemed by the relevant Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including, following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the relevant Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of redemption and, for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Subordinated Note until such later date of redemption.

A certificate as to the occurrence and/or continuation of a Solvency Event and as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the relevant Issuer or ZIG, shall, in the absence of manifest error be treated and accepted by the relevant Issuer, to Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

### **(b) Redemption of Undated Subordinated Notes**

This Condition 6(b) is only applicable to Undated Subordinated Notes.

Each Note has no final maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 and Condition 9(b).

### **(c) Redemption for Tax Reasons**

The Notes of any Series may be redeemed at the option of the relevant Issuer, subject to Condition 6(n), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Interest Note) at their principal amount, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, (A) the relevant Issuer is or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (B) ZIC (where ZIC is not the relevant Issuer) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each of cases (A) and (B) as a result of (1) any current law (in the case of an issue of Undated Subordinated Notes) or (2) (in the case of an issue of Senior Notes, Dated Subordinated Notes or Undated Subordinated Notes) change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation

of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes of the relevant Series; and

- (ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) would be obliged to pay such additional amounts were a payment in respect of the Notes then due; or
- (iii) save as otherwise specified in the applicable Final Terms, on the next Interest Payment Date the payment of interest in respect of any Undated Subordinated Notes would (whether or not as a result of a change in or amendment of law or regulation as aforesaid) (i) in the case of Notes issued by ZF (UK), be treated as a “distribution” within the meaning of the UK Corporation Tax Act 2010 (as amended, re-enacted or replaced) or (ii) not be deductible as an expense for tax purposes of the relevant Issuer, in each case for reasons outside the control of and which cannot be avoided by, the relevant Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of ZIC (where ZIC is not the relevant Issuer) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, ZIC (where the relevant Issuer is not ZIC), has or will become obliged to pay such additional amounts as a result of such circumstances, change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

In these Conditions, “**Relevant Jurisdiction**” means, unless otherwise specified in the applicable Final Terms (i) Luxembourg and Switzerland, in the case of Notes issued by ZF (Luxembourg), (ii) each of the U.S. and Switzerland, in the case of Notes issued by ZF (USA), (iii) Switzerland, in the case of Notes issued by ZIC, (iv) United Kingdom and Switzerland, in the case of Notes issued by ZF (UK); and (v) Ireland and Switzerland, in the case of Notes issued by Zurich Bank.

Notes redeemed pursuant to this Condition 6(c) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

#### **(d) Redemption for Other Reasons**

This Condition 6(d) is only applicable to Subordinated Notes.

The Notes may, subject to Condition 6(n), be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Interest Note) (provided that if at any time the inclusion of a redemption option due to an Accounting Event and/or a Capital Event (each as defined below) would cause a Regulatory Event the relevant date for redemption may only fall on or after the fifth anniversary of the Issue Date) at the Regular Redemption Price or the Special Redemption Price, as specified in the applicable Final Terms, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest on giving not less than 30 nor more than 60 days’ notice to the Trustee and, in accordance with Condition 13, the Noteholders (which shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) if so specified in the applicable Final Terms, an Accounting Event has occurred and is continuing;
- (ii) if so specified in the applicable Final Terms, a Capital Event has occurred and is continuing; or
- (iii) if so specified in the applicable Final Terms, a Regulatory Event has occurred and is continuing.

As used herein:

“**Accounting Event**” means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that obligations of the Issuer in respect of the Notes must not or must no longer be recorded under the Initial Accounting Treatment Methodology specified in the applicable Final Terms (either “**liabilities**” or “**equity**”), (being the presentation of the Notes under IFRS as at the Issue Date) on the balance sheet of ZIG published in its annual consolidated financial statements pursuant to IFRS and this cannot be avoided by the Issuer or, as the case may be, ZIG taking such reasonable measures as the Issuer or ZIG (acting in good faith) deems appropriate. The Issuer will deliver the applicable opinion to the Trustee.

“**Capital Event**” means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Notes, as such criteria are in effect on the Issue Date (the “**current criteria**”), which change has been confirmed in writing to the relevant Issuer or ZIC by such organisation and which results in a lower equity credit being given to the Notes as of the date of such change by such nationally recognised statistical rating organisation as compared with the equity credit pursuant to its current criteria.

“**Future Regulations**” means the solvency margin, regulatory capital or capital adequacy regulations (if any) which may be introduced in Switzerland (or if ZIG becomes domiciled for regulatory purposes in a jurisdiction other than Switzerland, such other jurisdiction) and which are applicable to the relevant Issuer and/or ZIG, which would set out the requirements to be satisfied by financial instruments in order that they be eligible to be included in Tier Two (or equivalent) own funds regulatory capital.

“**Regulatory Event**” means the occurrence of any of the following events which occurrence cannot be avoided by the relevant Issuer or the Guarantor or ZIG taking such reasonable measures as they (acting in good faith) deem appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Notes are no longer eligible to qualify as at least lower additional capital (in the case of Dated Subordinated Notes) or upper additional capital (in the case of Undated Subordinated Notes) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal)

save, in each case above, where such non-qualification thereof applicable to the Notes is only as a result of any applicable limitation on the amount of such capital.

“**SPICO**” means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen* — AVO) of November 9, 2005, as amended.

“**Special Event**” means any of an Accounting Event, a Capital Event or a Regulatory Event or any combination of the foregoing.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer stating that the circumstances described in the definitions of Accounting Event, Capital Event or Regulatory Event (as appropriate) have occurred and that, in the case of a Regulatory Event, such Regulatory Event cannot be avoided by the Issuer, Guarantor or, as the case may be, ZIG taking such measures as are provided for in the definition of Regulatory Event to avoid such Regulatory Event and the Trustee shall be entitled to accept such certificate as sufficient evidence that the circumstances described in the relevant Special Event apply, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders. In the case of a Capital Event, prior to the publication of any notice of redemption, the relevant Issuer shall also deliver a copy of the relevant written confirmation of the rating organisation referred to in the definition of Capital Event.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event has occurred.

#### **(e) Redemption at the Option of the Relevant Issuer**

If the relevant Issuer is specified in the applicable Final Terms as having an option to redeem, such Issuer may, subject to Condition 6(n) and having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot in a manner approved by the Trustee, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Bearer Notes or Individual Registered Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 6(e) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

## **(f) Substitution or Variation**

This Condition 6(f) is only applicable to Subordinated Notes.

If any of the events described in Condition 6(c) or 6(d) has occurred and is continuing, then the relevant Issuer may, subject to Condition 6(n), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(f) have been complied with and having given not less than seven days' written notice to the Trustee and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(f) being complied with and subject further to the receipt by the Trustee of a certification by the Directors of the relevant Issuer referred to below) agree to such substitution or variation. In connection therewith, all Arrears of Interest (if any) will be paid.

Upon the expiry of such notice, the relevant Issuer shall either vary the terms of, or substitute, the Notes in accordance with this Condition 6(f), as the case may be. The Trustee shall not be obliged to participate in any substitution or variation of the Notes for any proposed alternative Qualifying Securities if the terms of the proposed alternative Qualifying Securities would impose, in the Trustee's opinion, more onerous obligations on it.

As used herein, "**Qualifying Securities**" means securities:

- (a) having terms (including terms providing for deferral and/or cancellation of payment of interest and/or principal) that are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the relevant Issuer after consulting an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the relevant Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the relevant Issuer or issued by another member of the Zurich Insurance Group with a guarantee by the relevant Issuer and, as appropriate, Guarantor, such that investors have the same material rights and claims as provided by the Notes (as reasonably determined by the relevant Issuer, and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Notes; and
- (d) containing terms which preserve the obligations (including the obligations arising from the exercise of any right) of the relevant Issuer as to redemption of the Notes, including (without limitation) as to timing of and amounts payable on, such redemption; and
- (e) which do not contain any terms providing for loss absorption through principal write-down or conversion to ordinary shares, unless the triggers are objective and measurable; and
- (f) which, benefit from a guarantee from ZIC which is subordinated on the same basis, and to the same extent, as the Subordinated ZIC Guarantee in circumstances where the Notes benefitted from the Subordinated ZIC Guarantee; and
- (g) listed on an internationally recognised stock exchange, if the Notes were listed prior to such substitution or variation.

In addition, any substitution or variation is subject to (A) all interest amounts, including Arrears of Interest, and any other amount payable under the Notes which, in each case has accrued to Noteholders and has not been paid, being satisfied in full on or prior to the date thereof; (B) compliance with Condition 6(n); (C) the substitution or variation not itself giving rise to a change in any published rating of the Notes in effect at such time as confirmed in writing by the rating organisations who have given such published rating of the Notes previously; (D) the substitution or variation not triggering the right on the part of the relevant Issuer to redeem the Notes pursuant to Condition 6(c) or 6(d); and (E) certification by two Directors of the relevant Issuer that the securities in question are "**Qualifying Securities**" in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

In connection with any substitution or variation as described above, the relevant Issuer will comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

## **(g) Redemption at the Option of the Noteholders**

This Condition 6(g) is only applicable to Senior Notes.

If the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon

the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If a Note is in individual or definitive form, to exercise the right to require redemption of such Note the holder of the Note must deliver such Note in individual or definitive form at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the holder must (subject to the terms of Condition 5) specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

The Paying Agent with which a Note in individual or definitive form is so deposited shall deliver a duly completed receipt for such Note (a “**Put Option Receipt**”) to the depositing Noteholder. No Definitive Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 6(g), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date, any such Note in individual or definitive form becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, the Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Notice and shall hold such Note in individual or definitive form at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note in individual or definitive form is held by a Paying Agent in accordance with this Condition 6(g), the depositor of such Note in individual or definitive form and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

If a Note is in global form, the Noteholder shall comply with the procedures of the relevant Clearing System so as to enable such Clearing System to procure the giving of a Put Notice as provided by this Condition 6(g).

#### **(h) Early Redemption Amounts**

For the purpose of Condition 6(c) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (a) the Reference Price specified in the applicable Final Terms; and
  - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Final Terms.

#### **(i) Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(h) above.

#### **(j) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

#### **(k) Purchases**

The relevant Issuer, ZIC (where ZIC is not the relevant Issuer) or any of ZIC’s Subsidiaries (as such term is defined in the Trust Deed) may subject to Condition 6(n), in the case of Restricted Notes subject to Condition 10(l), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmaturing Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), surrendered to any Paying Agent or the Registrar for cancellation.

## **(l) Cancellation**

All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6(i) above (together in the case of Definitive Bearer Notes with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## **(m) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (c), (d), (e) or (g) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(h)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **(n) Condition to redemption, substitution or variation of Subordinated Notes**

Any redemption, substitution, variation of the terms or purchase of Subordinated Notes in accordance with Condition 6(c), (d), (e), (f) or (k) is subject to the relevant Issuer obtaining the prior written consent of FINMA or any Successor Authority thereto provided that such consent is required at that time under applicable capital or solvency regulations to be obtained.

## **7. Taxation**

### **(a) Notes issued by ZF (Luxembourg) or ZF (UK)**

In the case of Notes issued by ZF (Luxembourg) or ZF (UK), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) unless such withholding or deduction is required by law and/or by agreement of the relevant Issuer or the Guarantor, as the case may be. In such event, ZF (Luxembourg) or ZF (UK), as the case may be, will pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) in Luxembourg, in the case of Notes issued by ZF (Luxembourg);
- (ii) by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom (in the case of ZF (UK)) or Luxembourg (in the case of ZF (Luxembourg) or Switzerland (in the case of payments made by ZIC) other than the mere holding of such Note, Receipt or Coupon;
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day;
- (iv) any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European

Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent; or

- (vii) by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

**(b) Notes issued by ZF (USA)**

In the case of Notes issued by ZF (USA), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, ZF (USA) will pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; provided that the obligations of ZF (USA) to pay Additional Amounts shall not apply as a result of a withholding or deduction on account of any one or more of the following:

- (i) any tax, assessment or other governmental charge which would not have been imposed but for (A) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, a trust, a partnership, a corporation or another entity) and the U.S. or any political subdivision or territory or possession thereof, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident or treated as a resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or otherwise having or having had some connection with the U.S. or such political subdivision, territory or possession other than the mere holding or ownership of a Note, Receipt or Coupon or (B) such holder’s present or former status as a domestic or foreign personal holding company or a controlled foreign corporation with respect to the U.S. or a corporation which accumulates earnings to avoid U.S. federal income tax;
- (ii) any tax, assessment or other governmental charge which would not have been so imposed but for presentation by the holder of a Note, Receipt or Coupon for payment on a date more than 15 days after the Relevant Date;
- (iii) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iv) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the U.S. or any political subdivision thereof of the holder or beneficial owner of such Note, Receipt or Coupon;
- (v) any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction relating thereto);
- (vi) any tax, assessment or other governmental charge which is (A) payable otherwise than by withholding from payments of or in respect of principal of or interest on such Note, Receipt or Coupon or (B) required to be withheld by a Paying Agent from any such payment, if such payment can be made without such withholding by any other Paying Agent outside the U.S.;
- (vii) any tax, assessment or other governmental charge imposed on interest received by a person holding, actually or constructively, 10 per cent or more of the total combined voting power of all classes of stock of ZF (USA) or certain of their respective affiliates entitled to vote;
- (viii) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;



- (ix) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (x) where such Note, Receipt or Coupon is presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU; or
- (xi) any combination of items (i) through (x) above;

nor will Additional Amounts be paid with respect to principal or interest on such Note, Receipt or Coupon to any U.S. Alien which is a fiduciary or partnership or beneficial owner of such Note, Receipt or Coupon to the extent such payment would be required by the laws of the U.S. (or any political subdivision or taxing authority thereof or therein) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon.

The term “**U.S. Alien**” means any person who, for U.S. federal income tax purposes, is a foreign corporation, a non-resident alien individual, a fiduciary of a foreign estate or foreign trust, or a foreign partnership or other entity one or more of the members of which is, for U.S. federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

**(c) Notes issued by Zurich Bank**

All payments of principal and interest in respect of the Notes, Receipts and Coupons issued by Zurich Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) unless such withholding or deduction is required by law and/or by agreement of the Issuer or the Guarantor, as the case may be. In the event that Zurich Bank or any person acting on its behalf is required by law to make any such withholding or deduction, Zurich Bank will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment in Ireland; or
- (ii) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Ireland other than the mere holding of such Note, Receipt or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7 (a) above) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- (iv) any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto); or
- (v) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is or was able to avoid such withholding or deduction by presenting any form or certificate or by making a declaration of non-residence or other claim for exemption; or
- (vi) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;

- (vii) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (viii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (ix) presented for payment where such Note (or such Note to which a Receipt or Coupon relates) is not listed on a stock exchange recognised by the Revenue Commissioners of Ireland and either:
  - (a) if such Note does not mature within two years of the date of its issue:
    - (A) it is issued in a denomination of less than €500,000 or its equivalent; or
    - (B) it is not cleared through a clearing system recognised by the Revenue Commissioners of Ireland; or
    - (C) it has been knowingly offered or sold to an Irish resident, or to a person whose usual place of abode is Ireland; or
  - (b) if such Note matures within two years of the date of its issue:
    - (A) it is issued in a denomination of less than €500,000 if the relevant Note is denominated in euro, less than USD500,000 if the relevant Note is denominated in U.S. dollars or, if the relevant Note is denominated in a currency other than euro or U.S. dollars, less than the equivalent of €500,000 in that other currency as at the date the Programme is first publicised; or
    - (B) it is not cleared through a clearing system recognised by the Revenue Commissioners of Ireland.

**(d) Notes issued by ZIC**

In the case of Notes issued by ZIC, all payments of principal and interest in respect of the Notes, Receipts and Coupons issued by ZIC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) unless such withholding or deduction is required by law and/or by agreement of the Issuer or the Guarantor, as the case may be. In the event that ZIC or any person acting on its behalf is required by law to make any such withholding or deduction, ZIC will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) if Notes other than Restricted Notes are issued;
- (ii) presented for payment by or on behalf of a Noteholder, Couponholder or Receiptholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Note, Receipt or Coupon by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Note, Receipt or Coupon;
- (iii) any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (iv) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(a) above), except to the extent that the relevant holder would have been entitled to payment of an additional amount or recalculated interest if it had presented its Note, Receipt or Coupon for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;

- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) presented for payment by or on behalf of a holder who/would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to a Paying Agent in another Member State of the European Union;
- (viii) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder, Couponholder or Receiptholder without such withholding or deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder, Couponholder or Receiptholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder, Couponholder or Receiptholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (ix) if the payment could have been made without such withholding or deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

As used in the Conditions:

**“Guidelines”** means, together, the guideline “Interbank Loans” of September 22, 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); ; the circular letter No. 15 (1-015-DVS-2007) of February 7, 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*) and the circular letter “Deposits” of July 26, 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

**“Non-Bank Rules”** means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

**“Permitted Non-Qualifying Lender”** means in respect of a Series of Restricted Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Restricted Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
  - (a) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
    - (A) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
      - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
      - (ii) irrespective of whether a request is made in accordance with paragraph (a)(A)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer’s satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and
    - (B) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (a)(A)(i) above has been made) or receipt of a tax ruling (if a request in accordance

with paragraph (a)(A)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and

- (b) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as “Permitted Non-Qualifying Lender” under all, but not some only, Restricted Notes of the respective Series, and under any and all other existing or future Series of Restricted Notes, as the case may be, or similar instruments, between the issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

“**Permitted Non-Qualifying Lenders**” means in respect of a Series of Restricted Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

“**Qualifying Bank**” means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

“**Qualifying Lender**” means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

“**Restricted Notes**” means Notes issued by ZIC in accordance with Conditions 10(j) and 10(k).

“**Ten Non-Bank Rule**” means the rule that the aggregate number of Noteholders under a Series of Restricted Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

“**Twenty Non-Bank Rule**” means the rule that the aggregate number of the Issuer’s lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Notes and Notes not classified as a taxable bond (*Anleiheobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

*Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Capital Note at the current rate of 35 per cent. On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Capital Note were made to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. In all other cases no withholding obligation would arise under the proposed new law.*

## 8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

The Luxembourg Act dated September 3, 1996 on the involuntary dispossession of bearer securities, as amended, requires that any amount that is payable under the Bearer Notes (if any) before opposition (if applicable) in relation to the Bearer Notes has been filed but not yet been paid to the holder of the Bearer Notes is paid to the *Caisse de Consignation* in Luxembourg until the opposition has been withdrawn or has elapsed.

## 9. Events of Default

### (a) Senior Notes

This Condition 9(a) is only applicable to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (subject, in the case of the happening of any of the events set out in Conditions 9(a)(ii), (iii), (v), (vi), (vii), (ix) and (x) (to the extent that it applies to Conditions 9(a)(v), (vi), (vii) and (x)) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases to the Trustee having been indemnified and/or secured to its satisfaction), give notice (the “**default notice**”) in writing to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) that the Notes are immediately due and repayable if any of the following events (“**Events of Default**”) shall have occurred and be continuing:

- (i) there is a failure by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (ii) a default is made by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) in the performance or observance of any other covenant, condition or provision contained in the Trust Deed or in the Notes and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Notes) and (except where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or ZIC, as the case may be, of notice requiring such default to be remedied; or
- (iii) if any other indebtedness of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) for borrowed moneys is declared due and payable prior to the due date for payment thereof by reason of default on the part of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee or indemnity in respect of indebtedness for borrowed moneys given by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is not honoured when due and called upon or at the expiry of any applicable grace period, save in any such case where the relevant payment liability is being contested in good faith and by appropriate means, provided that no such event as aforesaid shall constitute an Event of Default unless the amount declared due and payable or not paid, either alone or when aggregated with other such amounts then declared due and payable or not paid by such Issuer or ZIC (where ZIC is not the relevant Issuer), shall amount to at least USD300,000,000 or its equivalent in other currencies; or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) be wound up or dissolved or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) stops payment or ceases business, or disposes (other than in the ordinary course of its business) of the whole or substantially the whole of its assets, otherwise than in any such case for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation; or
- (v) an encumbrancer or a person with similar functions appointed for execution (in Switzerland, a *Sachwalter* or *Konkursverwalter*) takes possession or a receiver is appointed of the whole or substantially the whole of the assets or undertaking of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) or a distress, execution or seizure before judgment is levied or enforced upon or sued out against any substantial part of the property, assets or revenues of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) unless discharged, stayed or removed within 60 days thereof (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or being contested in good faith and by appropriate means; or
- (vi) the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is insolvent or bankrupt or unable to pay its debts as and when they fall due or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) shall initiate or consent or become subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition, *Nachlassvertrag*, *faillite*, administration, examinership, or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors or notifies the court of its financial situation in accordance with Article 725(2) of the Swiss Code of Obligations or enters into a moratorium (*Stundung*); or
- (vii) proceedings shall have been initiated against the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), under any applicable bankruptcy, composition, administration or insolvency law in respect of a sum claimed in aggregate of at least USD200,000,000 or its equivalent in other currencies unless such proceedings are discharged or stayed within a period of 60 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or are being contested in good faith and by appropriate means; or
- (viii) if the relevant Issuer is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, if the Senior ZIC Guarantee ceases to be, or is claimed by ZIC not to be, in full force and effect; or
- (ix) where ZIC is not the relevant Issuer, the relevant Issuer (excluding ZF (UK) and Zurich Bank) ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by ZIC, unless such cessation is as a result of a Permitted Reorganisation or is previously approved either in writing by the Trustee or by an Extraordinary Resolution of Noteholders; or
- (x) any event occurs which under applicable laws has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above.

## **(b) Subordinated Notes**

This Condition 9(b) is only applicable to Dated Subordinated Notes and Undated Subordinated Notes and is subject to such other provisions as may be specified in the applicable Final Terms.

### *(i) Events of Default for Dated Subordinated Notes and Undated Subordinated Notes*

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal 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 the Trustee having been indemnified and/or secured to its satisfaction), give notice to the relevant Issuer and the Guarantor that the Notes are immediately due and repayable if any of the following events shall have occurred and be continuing:

- (a) subject to the provisions of Condition 4(f), there is a failure by the relevant Issuer to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (b) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or the Guarantor be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation.

### *(ii) Proceedings for Winding-up*

If the Notes become due and repayable (whether pursuant to Condition 9(b)(i), Condition 6(c) or 6(d) or 6(e) or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the relevant Issuer and may take no further action to enforce the obligations of the relevant Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes.

If the Guarantor fails to pay to the Trustee (pursuant to the relevant Subordinated ZIC Guarantee and the Trust Deed) an amount claimed under the relevant Subordinated ZIC Guarantee, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Guarantor and may take no further action to enforce the obligations of the Guarantor under the relevant Subordinated ZIC Guarantee.

No payment in respect of the Notes may be made by the relevant Issuer pursuant to Condition 9(b)(i), nor will the Trustee accept the same, otherwise than during or after a winding-up of the relevant Issuer.

### *(iii) Enforcement*

Without prejudice to Condition 9(b)(i) or (ii) above (including, for the avoidance of doubt, the Trustee's right to make a demand under the relevant Subordinated ZIC Guarantee), however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the relevant Issuer or, as the case may be, the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the relevant Issuer or, as the case may be, the Guarantor 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 relevant Issuer and the Guarantor 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.

### *(iv) Rights of Noteholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or, as the case may be, the Guarantor or to prove in the winding-up of the relevant Issuer or, as the case may be, the Guarantor 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 Noteholders or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor 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.

### *(v) Extent of Noteholders' remedy*

No remedy against the relevant Issuer or the Guarantor other than as referred to in this Condition 9(b), 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 relevant Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

In this Condition:

**“Permitted Reorganisation”** means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the relevant Issuer or, as the case may be, ZIC are transferred to and all the liabilities and obligations of the Issuer or, as the case may be, ZIC are assumed by the new or surviving entity either:
  - (i) automatically by operation of applicable law; or
  - (ii) the new or surviving entity assumes all the obligations of the Issuer or, as the case may be, ZIC, under the terms of the Trust Deed, and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, in place of the Issuer or, as the case may be, ZIC; and, in either case,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the relevant Issuer or (as the case may be) ZIC was subject immediately prior thereto.

## **10. Exchange of Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Receipts, Coupons and Talons**

### **(a) Exchange of Bearer Notes for Registered Notes**

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an **“Exchange Request”**), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons, Talons and Receipts appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate (and in the case of an NGN, effectuate) and deliver, or procure the authentication (and in the case of an NGN, effectuation) and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the Exchange Date.

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Bearer Global Note.

### **(b) Exchange of interests in Registered Global Notes for Individual Registered Notes**

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the relevant Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

### **(c) Transfers of Registered Global Notes**

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor’s nominee.

#### **(d) Transfers of interests in Reg. S Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the U.S. will only be made pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the U.S., and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

#### **(e) Exchanges and transfers of Registered Notes generally**

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the relevant Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the relevant Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

#### **(f) Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 6(e), the relevant Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

#### **(g) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

#### **(h) Costs of exchange or registration**

The transfer of a Note will be effected without charge by or on behalf of the relevant Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.



### (i) Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note, Receipt or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### (j) Restrictions on Transfer of Certain Notes

(i) In the case of Notes issued by ZIC, if the applicable Final Terms designate the Notes as Restricted Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Notes will be issued as Registered Notes and may only be assigned, or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):

- (a) in whole or in part, if the Transfer is to a Qualifying Bank, or
- (b) in whole, but not in part (except for parts of Restricted Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

(ii) A Noteholder may at any time require that the Issuer replaces such Noteholder’s certificate(s) representing the Restricted Notes with certificates in minimum denominations equal to the Restricted Note Minimum Denomination Amount specified in the applicable Final Terms.

(iii) Restricted Notes may only be Transferred in amounts equal to the Restricted Note Transfer Amount specified in the applicable Final Terms.

(iv) Any Transfer of a Restricted Note shall be recorded by the Registrar in the Register on production of:

- (a) the relevant certificate representing the Restricted Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender: and
- (b) such other evidence as the Issuer may require.

Any Transfer of a Restricted Note shall only be effective and shall only be recorded by the Registrar in the Register if such Restricted Note is Transferred in accordance with this Condition 10(j).

(v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Notes to that other person, unless under such arrangement throughout the life of such arrangement:

- (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
- (b) the other person will have no proprietary interest in the benefit of the Restricted Notes or in any monies received by the Noteholder under or in relation to the Restricted Notes held by that Noteholder; and
- (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder’s claims under its Restricted Notes and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to, the Restricted Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an interest under the Restricted Notes for the purposes of this Condition 10(j).

(vi) As of the Issue Date and for so long as the Restricted Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

## **(k) Grants of Security**

If the applicable Final Terms provide that the Notes are Restricted Notes, then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
  - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
  - (b) require any payments to be made by the Issuer other than as required by the Restricted Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

## **11. Agent, Paying Agents, Transfer Agents and Registrar**

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The relevant Issuer and ZIC (where ZIC is not the relevant Issuer) are, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent or Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee; and
- (v) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) undertake that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) if legislation is enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (i) in the European Union Council Directive 2003/48/EC or (ii) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) will use reasonable efforts to make payments in respect of the Notes through a Paying Agent outside Switzerland, provided that the use of such Paying Agent outside Switzerland would eliminate any Swiss withholding tax that would otherwise apply to payments from the Issuer.

In addition, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Paying Agent is not, or ceases to be, a FATCA Compliant Entity, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the relevant Issuer will in respect of any Listed Swiss Franc Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

As used herein:

**"FATCA Compliant Entity"** means a person payments to whom are not subject to FATCA Withholding; and

"**FATCA Withholding**" means any amount required to be withheld or deducted pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions and any regulations and official guidance issued thereunder) pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

## 12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

## 13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) in Luxembourg, (iii) (in the case of Listed Swiss Franc Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the Financial Times in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and (in the case of (ii) above) the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Memorial C, Recueil des Sociétés et Associations* ("**Memorial C**").

In the case of Bearer Notes and Registered Notes, if and to the extent required by the Luxembourg law of January 11, 2008 relating to transparency obligations of issuers of securities implementing Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and in addition, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a notice will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee**

### **(a) Single Noteholder**

In relation to any Restricted Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Conditions 14(b) shall not apply.

### **(b) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Notes, the relative Receipts, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Receiptholders and the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 100 per cent in nominal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Notes issued by ZIC.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may (in relation to the Events of Default set out in Condition 9(a)(ii), (iii), (v), (vi), (vii) and (x) (to the extent it applies to Conditions 9(a)(v), (vi) and (vii)) determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution at any time or times of any other company in the place of the relevant Issuer as the principal debtor under the Trust Deed and the Notes, Receipts and Coupons issued by the relevant Issuer. Notwithstanding the above, by subscribing to or purchasing the Notes, the Noteholders expressly consent to the substitution of the relevant Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including, except in the case of a

substituted issuer domiciled in Luxembourg where appropriate, an irrevocable and unconditional guarantee by ZIC in terms substantially similar to those referred to in Condition 3(a) in respect of any Notes issued by the substituted issuer.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the relevant Issuer of a substitute issuer which has previously been approved by 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 action unless indemnified and/or secured to its satisfaction.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Act dated August 10, 1915 on commercial companies, as amended, are excluded.

## 15. Enforcement

- (a) Subject to the provisions of Condition 9(b) in the case of Subordinated Notes, the Trustee may at any time, at its discretion and without notice, however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), take such proceedings against the relevant Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts 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 not less than 25 per cent in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (b) No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing, in which case the Noteholder, Receiptholder or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder, Receiptholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder, Receiptholder or Couponholder indemnifying the Trustee to its satisfaction.

## 16. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 17. Governing Law and Submission to Jurisdiction

- (a) The Trust Deed (other than the provisions relating therein to the Senior ZIC Guarantee and the Subordinated ZIC Guarantee which shall be governed by, and construed in accordance with the laws of Switzerland), the Notes, (other than the provisions relating to Subordinated Notes of Condition 2 which shall be governed by, and construed in accordance with, the laws of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The relevant Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.
- (c) The relevant Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The relevant Issuer (other than ZF (UK)) has appointed Zurich Insurance plc, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance plc, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

- (g) In respect of Listed Swiss Franc Notes only, the relevant Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders, the Receipts and the Couponholders to the additional jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.
- (h) Each of the Senior ZIC Guarantee and the Subordinated ZIC Guarantee are governed by, and shall be construed in accordance with, the laws of Switzerland. Any legal action or proceedings in respect of each Senior ZIC Guarantee or each Subordinated ZIC Guarantee shall be brought exclusively in the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

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

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

## **GENERAL DESCRIPTION OF THE PROGRAMME AND BUSINESS OF THE ISSUER**

Under the Programme, the Issuer may from time to time issue Notes and enter into Alternative Obligations denominated in such currencies as may be agreed with the relevant Dealer(s).

### **Business of the Issuer**

The Trust Deed contains restrictions on the activities in which the Issuer may engage. Pursuant to these restrictions, the business of the Issuer is limited to acquiring and holding Charged Assets, issuing Notes up to a maximum aggregate principal amount outstanding at any one time as permitted under the Programme, (where appropriate) borrowing money in certain other forms (including Schuldschein) approved by the Trustee (subject to certain restrictions), entering into Charged Agreements and performing its obligations and exercising its rights thereunder and entering into other related transactions and Credit Support Documents, in each case, in respect of or in relation to a Series of Notes.

The assets of the Issuer will consist of, *inter alia*, Charged Assets and/or the benefit of Charged Agreements and Credit Support Documents in respect of each Series of Notes and the issued and paid-up capital of such Issuer, any transaction fees payable to such Issuer for each issue of Notes and, where appropriate, assets relating to any other borrowings of the Issuer. The only assets of the Issuer available to meet claims of Noteholders of the Notes are the assets comprised in the relevant collection of assets, rights and other benefits comprising the security for the Notes.

The Notes are obligations of the Issuer and not of the shareholder(s) of such Issuer, the directors of such Issuer, the Share Trustee, the Trustee or any obligor in respect of any Charged Assets. Furthermore, they are not obligations of, or guaranteed in any way by, any of the Dealers.

Subject as set out herein, this Prospectus and any applicable supplement will only be valid for listing the Notes.

## FORM OF THE NOTES

The Notes will be in bearer form without interest coupons ("**Coupons**") attached.

The Notes will be initially issued in the form of a permanent bearer global note without Coupons (a "**Permanent Global Note**") which will be delivered on or prior to the original date of issue of the Tranche to a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Upon issue of the Tranche, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each purchaser's account with a principal amount of Bearer Notes equal to the principal amount thereof for which the purchaser has subscribed and paid.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

The Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes upon the occurrence of certain limited circumstances as set out in the relevant Permanent Global Note. In the event that the Permanent Global Note is exchanged for definitive Bearer Notes, such definitive Bearer Notes shall be issued in the minimum Specified Denomination only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of the Specified Denomination may need to purchase or sell, on or before the Exchange Date, a principal amount of Notes such that their holding is an integral multiple of the Specified Denomination.

Notes which are represented by a Permanent Global Note will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

For so long as any of the Notes is represented by a Permanent Global Note held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Trustee and the Issuer and its agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest (if any) on such principal amount of such Notes, for which purpose the relevant common depository shall be treated by the Trustee and the Issuer and its agents as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Permanent Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.



## TERMS AND CONDITIONS OF THE NOTES

*The following Terms and Conditions comprise the “Terms and Conditions of the Notes” which will be incorporated by reference into each Global Note and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto the following Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to the section entitled “Form of the Notes” for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued with the benefit of the Trust Deed (as defined below). References herein to the “**Issuer**” shall be references to the party specified as such in the applicable Final Terms (as defined below).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes in bearer form (“**Bearer Notes**”) represented by a temporary or permanent bearer global Note (each a “**Bearer Global Note**”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Bearer Global Note;
- (iii) any definitive Notes in bearer form issued in exchange for a Bearer Global Note;
- (iv) any Registered Global Note; and
- (v) any definitive Notes in registered form issued in exchange for a Registered Global Note.

The Notes are constituted by, and in accordance with, the Amended and Restated Master Trust Deed dated 29 June 2012 (as amended and/or supplemented and/or restated from time to time, the “**Master Trust Deed**”) between, *inter alios*, Aquarius + Investments plc, Aquarius Capital Investments plc, Aquarius Investments Luxembourg S.A., Aries Capital Limited and BNP Paribas Trust Corporation UK Limited as trustee and the Supplemental Trust Deed (the “**Supplemental Trust Deed**” and together with the Master Trust Deed, the “**Trust Deed**”) dated the Issue Date (as specified in the applicable Final Terms) between, *inter alios*, the Issuer, the counterparties (if any) to any Swap Agreement and any Repurchase Agreement (both as defined in Condition 3(c) (*Charged Agreements*) below) (the “**Swap Counterparty**” and “**Repo Counterparty**” respectively) specified in the applicable Final Terms and the trustee (the “**Trustee**”) specified in the applicable Final Terms. The Notes are secured by the Trust Deed and/or (if and to the extent so specified in the applicable Final Terms) by the separate charging document(s) referred to therein (each a “**Charging Document**”).

Certain agents are appointed in respect of the Notes pursuant to an Amended and Restated Agency Agreement dated 21 April 2008 (as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) between, *inter alios*, Aquarius + Investments plc, Aquarius Capital Investments plc, Aquarius Investments Luxembourg S.A., Aries Capital Limited and BNP Paribas Trust Corporation UK Limited as trustee, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent) the other

paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), BNP Paribas, London Branch as redemption agent (the “**Redemption Agent**”, which expression shall include any additional or successor redemption agents), BNP Paribas, London Branch as determination agent (the “**Determination Agent**”, which expression shall include any additional or successor registrar determination agents), BNP Paribas Securities Services, Luxembourg Branch as agent bank (the “**Agent Bank**”, which expression shall include any additional or successor agent banks), BNP Paribas, London Branch as calculation agent (the “**Calculation Agent**”, which expression shall include any additional or successor calculation agents), BNP Paribas Securities Services, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any additional or successor registrar, including the U.S. Registrar) BNP Paribas, New York Branch as registrar (the “**U.S. Registrar**”, which expression shall include any successor registrar in the United States) and the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the other Paying Agents, the Redemption Agent, the Determination Agent, the Agent Bank, the Calculation Agent, the Registrar and the Transfer Agents are hereinafter together referred to herein as the “**Agents**”. There is also a Custodial Services Agreement (as amended and/or supplemented and/or restated from time to time, the “**Custodial Services Agreement**”) entered into by, *inter alios*, Aquarius + Investments plc, Aquarius Capital Investments plc, Aquarius Investments Luxembourg S.A., Aries Capital Limited and BNP Paribas Securities Services, Luxembourg as custodian (the “**Custodian**”, which expression shall include any additional or successor custodians). BNP Paribas, London Branch has been appointed as the account bank, in respect of the Notes, pursuant to a bank agreement dated 15 July 2005, (as amended and/or supplemented and/or restated from time to time the “**Bank Agreement**”) between, *inter alios*, Aquarius + Investments plc, Aquarius Capital Investments plc, Aquarius Investments Luxembourg S.A., Aries Capital Limited, BNP Paribas, London Branch and BNP Paribas Trust Corporation UK Limited.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Notes in registered form and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Subject as provided below, any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Class**” means a Tranche together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single Class and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and “**Series**” means one or

more Class(es) of Notes which, in the latter case, are expressed to be secured on, *inter alia*, the same Charged Assets (as defined in Condition 3(a) (*Security*)), or as specified in the Final Terms.

Copies of the Trust Deed, the Agency Agreement, the Custodial Services Agreement, any Charged Agreements (as defined below), any Credit Support Documents (as defined below), any Charging Documents and the applicable Final Terms are available for inspection, free of charge, during normal business hours at the specified office of each of the Paying Agents and (in the case of Registered Notes) the Registrar save that, if this Note is an unlisted Note of any Class, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more Notes of that Class and such Noteholder must produce evidence satisfactory to the relevant Agent as to its holding of such Note(s) and identity. In the case of Notes listed on the Official List of the Luxembourg Stock Exchange, copies of the applicable Supplement may be obtained at the office of the Paying Agent in the Grand Duchy of Luxembourg (as long as any Notes are so listed the Issuer will maintain a Paying Agent in the Grand Duchy of Luxembourg). The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, any relevant Charged Agreements, any relevant Charging Documents, any relevant Credit Support Documents and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Custodial Services Agreement, any relevant Charged Agreements, any relevant Credit Support Documents and any relevant Charging Documents.

Any reference in these Terms and Conditions to “**payment**” of any sums due in respect of the Notes shall be deemed to include, as applicable, delivery of any Asset Amount (as defined in Condition 8 (Delivery Option) below) if so provided herein, and references to “**pay**”, “**paid**” and “**payable**” shall be construed accordingly.

Where no reference is made in the applicable Final Terms to any Charged Assets and/or any Charged Agreement and/or any Credit Support Document and/or any Notes Guarantee, as the case may be, references in these Terms and Conditions to any Charged Assets and/or any Charged Agreement and/or any Credit Support Document and/or any Notes Guarantee and/or any Credit Support Provider and/or any Issuer Credit Enhancer and/or any Swap Counterparty and/or any Repo Counterparty and/or any Swap Guarantor as the case may be, shall not be applicable.

## **1 Form, denomination, title, registration, transfer and exchange**

### *(a) Form and denomination*

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s), provided that in the case of any listed Notes as provided hereon, the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Interest Notes, Indexed Redemption Amount Notes, Instalment Notes, Dual Currency Notes, Credit-Linked Notes or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

The Notes are either Cash Settlement Notes or Physical Settlement Notes, depending upon the Settlement Basis shown in the applicable Final Terms.

The Notes may be Class Notes (as defined in Condition 3(g)(iii) (*Application of proceeds*) below), as specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons and, if applicable, Receipts attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable. References in these Terms and Conditions to Receipts, Coupons and Talons do not apply to any Notes represented by a Global Note or in definitive registered form.

(b) *Transfer and title*

(i) *Bearer Notes and Registered Notes*

Subject as set out in (ii) and (iii) below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and in accordance with applicable law and title to the Registered Notes will pass upon registration of transfers in the Register (as defined in (c) below) in accordance with these Terms and Conditions and the provisions of the Trust Deed and the Agency Agreement.

Subject as set out in (ii) below, the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note will (except as otherwise required by law or ordered by a court of competent jurisdiction or an official authority) be treated as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

(ii) *Bearer Global Notes*

Bearer Notes will (as indicated in the Final Terms) either (a) initially be represented by a temporary bearer global note (a “**Temporary Global Note**”), or (b) be represented by a permanent bearer global note (a “**Permanent Global Note**”), in each case which will be deposited on the Issue Date with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Beneficial interests in a Temporary Global Note will be exchangeable (as specified in the Final Terms) for either beneficial interests in a Permanent Global Note or definitive Bearer Notes, in each case on or after the date (the “**Exchange Date**”) which is the later of (i) 40 days after the date on which the Temporary Global Note is issued and (ii) expiry of the applicable Distribution Compliance Period (as defined in Regulation S under the Securities Act) and, if specified in the applicable Final Terms, upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A Permanent Global Note will (save as indicated in the Final Terms) be exchangeable, in whole for definitive Bearer Notes only in those limited circumstances set out in the Permanent Global Note.

(iii) *Global Notes*

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream, Luxembourg and/or DTC (as defined below), each person (other than Euroclear, Clearstream, Luxembourg or, in the case of Restricted Global Notes, DTC) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or, in the case of Restricted Global Notes, DTC as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or, in the case of Restricted Global Notes, DTC as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Issuer Credit Enhancer (if any), the Swap Counterparty (if any), the Repo Counterparty (if any), the Trustee and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest (if any) on such principal amount of such Notes, for which purpose the bearer or the holder of the relevant Global Note or the common depository shall be

treated by the Issuer, the Trustee and any Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note; and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or, in the case of Restricted Global Notes, DTC, as the case may be. References to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

A Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes upon (as indicated in the applicable Final Terms) either not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note the Principal Paying Agent as described therein or only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (w) an Event of Default has occurred and is continuing, (x) the Issuer has been notified by the Trustee or any Agent that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system acceptable to the Trustee is available, (y) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect is given by the Issuer to the Trustee or (z) the Issuer and/or the Issuer Credit Enhancer (if any) would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect is given by the Issuer and/or (as the case may be) the Issuer Credit Enhancer (if any) to the Trustee.

(iv) *Registered Notes*

Unless otherwise provided in the Final Terms, Registered Notes sold outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) (“**Reg S Notes**”), will, subject to the provisions of (c) below, be represented by a permanent registered global note (an “**Unrestricted Global Note**”) registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Prior to expiry of the applicable Distribution Compliance Period required by Regulation S, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear and Clearstream, Luxembourg.

Unless otherwise provided in the Final Terms, Registered Notes sold in the United States to qualified institutional buyers (“**QIBs**”) within the meaning of Rule 144A under the Securities Act who are also qualified purchasers (“**QPs**”) as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (“**Rule 144A Notes**”) will, subject to the provisions of (c) below, be represented by a permanent registered global note (a “**Restricted Global Note**”, the

Restricted Global Note and the Unrestricted Global Note each a “**Registered Global Note**”) which will be deposited on issue with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”).

*Conditions 1(c) (Registration), (d) (Exchange of Bearer Notes and Registered Notes) and (e) (Transfer of Registered Notes) apply to Notes in registered form. See the Final Terms as to whether they are applicable.*

*(c) Registration*

The Issuer will cause to be kept at the Specified Office of the Registrar for the time being, a register (the “**Register**”) on which shall be entered the names and addresses of the holders from time to time of the Registered Notes, together with the particulars of the Registered Notes held by them respectively and of all transfers of Registered Notes. The registrations in the Register constitute the exclusive proof of ownership of the Notes. The Issuer will procure that, as soon as practicable after the Issue Date, the Register is duly made up in respect of the subscribers of the Registered Notes and certificates evidencing the relevant registrations in the Register of the said subscribers of the Registered Notes will be despatched. The Issuer has initially appointed the person named as Registrar in the Final Terms acting through its Specified Office set out in the Final Terms. The Issuer may also appoint one or more Transfer Agents for the purpose of facilitating exchanges of Notes, in which case references in these Conditions to the Registrar shall include, where the context so permits, references to such Transfer Agent(s). The Issuer reserves the right, with the approval of the Trustee, at any time to vary or terminate the appointment of the Registrar and to appoint another or a further Registrar, provided that there will at all times be a Registrar and/or Transfer Agent with a Specified Office in such place as the Trustee may approve and as may be required by the rules of the Luxembourg Stock Exchange. Any variation or termination of appointment shall only take effect (other than in the case of insolvency of the Registrar, when it shall be of immediate effect) after not more than 60 nor less than 45 days’ notice thereof shall have been given to the Noteholders in accordance with Condition 16 (*Notices*) and any change in the Specified Office of the Registrar shall also be promptly so notified.

*(d) Exchange of Bearer Notes and Registered Notes*

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

*(e) Transfer of Registered Notes*

- (i) Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Registered Notes in definitive form only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that upon the expiry of not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note, (A) an Event of Default has occurred and is continuing, (B) if such Notes are held for the account of Euroclear and Clearstream, Luxembourg and if the Issuer has been notified by the Trustee or any Agent that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system acceptable to the Trustee is available, (C) if such Notes are held by a nominee of DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Restricted Global Note or DTC ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934 or is at any time

no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (D) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7(c) (*Redemption for taxation reasons*) which would not be required were the Notes in definitive form and a certificate to such effect is given by the Issuer to the Trustee or (E) the Issuer and/or the Issuer Credit Enhancer (if any) would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear or Clearstream, Luxembourg, as the case may be, which would not be suffered were the Notes in definitive form and a certificate to such effect is given by the Issuer and/or (as the case may be) the Issuer Credit Enhancer (if any) to the Trustee.

- (ii) Registered Notes in definitive form may, subject to Condition 1(b)(iv) (*Registered Notes*) and to the provisions of the Trust Deed and of the Agency Agreement, be transferred by the registered holder free of and without regard to any set-off, counterclaim or equities between the Issuer and the first or any subsequent registered holder of such Notes, in whole or in part (being the denomination(s) of the Notes given in the Final Terms, or an integral multiple thereof), by delivery of the relevant certificate or certificates (as referred to in (c) above) to the Transfer Agent at its Specified Office together with the form of transfer in writing endorsed thereon duly completed and signed and upon compliance with such reasonable requirements as the Issuer may prescribe (including an opinion of U.S. counsel that any such transfer is in compliance with any applicable securities or other laws of the United States) without charge but upon payment of any taxes, duties and other governmental charges in respect of such transfer. No transfer of a Registered Note shall be recognised by the Issuer unless entered on the Register. A Registered Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number) and the Transfer Agent will not accept transfers of Registered Notes to “bearer”. The Registrar will within 14 days of any duly made request to register the transfer of a Registered Note procure the entry of the transferee in the Register and authenticate and deliver (or procure the authentication and delivery of) a Registered Note certificate to the transferee (and, in the case of transfer of part only of a Registered Note, a Registered Note certificate for the untransferred balance to the transferor), at the Specified Office of the Transfer Agent in Luxembourg, or (at the risk and, if mailed at the request of the transferee or, as appropriate, transferor otherwise than by ordinary uninsured mail, expense of the transferee or, as appropriate, transferor) mail the Registered Note certificate to such address, subject to the restrictions (if any) specified in the Final Terms, as the transferee (or, as appropriate, the transferor) may request or, alternatively, in the case of transfers effected through the stock exchange (if any) on which the Issuer has agreed to maintain a listing of the Notes or any other recognised stock exchange or similar market approved by the Issuer, will deliver the Registered Note certificate in accordance with the normal procedures and systems of such exchange or market. In the case of the transfer of part only of a Registered Note, a new Registered Note in respect of the balance of the Registered Note not transferred will be delivered (as described above) to, and at the risk of, the Transferor.
- (iii) In the event of a partial redemption of Notes under Condition 7 (*Redemption*), neither the Issuer nor the Registrar will be required to register the transfer of Registered Notes (or parts of Registered Notes) or to effect exchanges of interests in Registered Global Notes for definitive Registered Notes or vice versa during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive).

## 2 Status of the Notes

Condition 2(b) (*Status of the Notes Guarantee*) will only apply if an Issuer Credit Enhancer is specified in the applicable Final Terms.

### (a) *Status of the Notes*

The Notes and any related Receipts and Coupons are secured, limited recourse obligations of the Issuer, secured in the manner described in Condition 3 (*Security*) and recourse in respect of which is limited in the manner described in Condition 12 (*Enforcement*), and rank *pari passu* without any preference among themselves.

If the Notes are Class Notes, they may, if so specified in the applicable Final Terms, rank in point of priority after, or prior to, one or more Classes of such Class Notes, in the event of the security for such Notes being enforced.

### (b) *Status of the Notes Guarantee*

If so specified in the applicable Final Terms, the payment of the principal, premium (if any) and interest (if any) in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed in respect of the relevant Class has been unconditionally and irrevocably guaranteed by means of a guarantee (the “**Notes Guarantee**”) by the entity specified as the issuer credit enhancer in the applicable Final Terms (the “**Issuer Credit Enhancer**”). The obligations of the Issuer Credit Enhancer under the Notes Guarantee are direct, unconditional, unsubordinated and unsecured obligations of the Issuer Credit Enhancer and (save for certain obligations required to be preferred by law and unless otherwise specified in the applicable Final Terms) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer Credit Enhancer, from time to time outstanding.

## 3 Security

### (a) *Security*

The obligations of the Issuer under the Notes, the Receipts and the Coupons and/or under the Swap Agreement (as defined below) (if any) are, unless otherwise specified in the applicable Final Terms, secured:

- (i) pursuant to the Trust Deed by security interests governed by English law (or, in the case of security interests over any custodial account located in Luxembourg, Luxembourg law) over:
  - (A) certain bonds, notes, securities, assets, commodities or contractual or other rights specified to be Charged Assets in the applicable Final Terms, including all sums and/or assets received or receivable (if any) under any such bonds, notes, securities, assets, commodities, or rights, and all rights in respect thereof or relating thereto whether or not against third parties (together, the “**Charged Assets**”), such security interests to take the form of, amongst other things, a first fixed charge over (unless otherwise specified in the applicable Final Terms) any account (each an “**Account**”) in which any Charged Assets are deposited and all present and future Charged Assets deposited in such Account or represented by such Account from time to time, together with the debts and/or other interests represented thereby, all related interests and all proceeds of such Charged Assets; and



- (B) if so specified in the applicable Final Terms, an assignment by way of first fixed security of all the Issuer's rights, title and interest in and to the Credit Support Document(s) (as defined below); and/or
- (ii) if and to the extent specified in the applicable Final Terms, pursuant to the Charging Document(s) specified in the applicable Final Terms, by security interests governed by the law specified in the applicable Final Terms over:
  - (A) the Charged Assets; and/or
  - (B) the Issuer's rights pursuant to the Credit Support Document(s).

Unless and to the extent otherwise specified in the applicable Final Terms, the obligations of the Issuer under the Notes, the Receipts and the Coupons are further secured pursuant to the Trust Deed by, *inter alia*:

- (A) an assignment by way of first fixed security of all of the Issuer's rights under the Agency Agreement and the Custodial Services Agreement in respect of the Notes (including, without limitation, the rights of the Issuer in respect of all funds and/or assets held from time to time by the Principal Paying Agent, the other Paying Agents, the Custodian and/or the Redemption Agent for payment of principal, premium (if any) or interest (if any) in respect of the Notes or otherwise in relation to the Notes);
- (B) an assignment by way of first fixed security of all of the Issuer's rights, title and interest in and to the Charged Agreements (if any) in respect of the Notes and/or any sale agreement relating to the Charged Assets in respect of the Notes;
- (C) an assignment by way of first fixed security of all of the Issuer's rights, title and interest in and to any of its bank accounts in respect of the Notes and the debts represented thereby (excluding, for the avoidance of doubt, the Issuer's bank accounts in the relevant country of incorporation or elsewhere containing the paid up ordinary share capital and any transaction fees of the Issuer, and any interest accrued thereon, in each case); and
- (D) such other security interest (if any) as may be specified in the applicable Final Terms.

If the Notes are Class Notes, the Mortgaged Property (as defined below) in respect of such Notes shall be common (to the extent set out in the applicable Final Terms) to the related Class Notes, subject to the provisions of Condition 3(e)(ii) below.

The security referred to in paragraphs (i) and (ii) and (A) to (D) above is herein referred to as "**Mortgaged Property**".

*(b) Charged Assets*

If so specified in the applicable Final Terms, the obligations of the obligor under any Charged Assets are guaranteed or have the benefit of a letter of credit or other similar arrangement (each a "**Credit Support Document**") from the credit support provider (the "**Credit Support Provider**") specified in the applicable Final Terms.

Unless and to the extent otherwise specified in the applicable Final Terms, the Charged Assets, or documents comprising, evidencing, representing and/or transferring the Charged Assets, will be deposited with or held by the Custodian (on behalf of the Issuer, subject to the charges in favour of the Trustee, pursuant to the provisions of the Custodial Services Agreement) named in the applicable Final Terms.

If so specified in the applicable Final Terms, the Charged Assets may be substituted in whole or in part for alternative assets either:

- (i) with the prior written consent of all Noteholders and of the relevant Swap Counterparty (if any) and Repo Counterparty (if any); or
- (ii) upon the direction of the Swap Counterparty or Repo Counterparty (if any) pursuant to the terms of the Swap Agreement or Repurchase Agreement, as applicable, for such assets and upon such terms as are specified in the applicable Final Terms,

provided that, in each case:

- (A) if security is granted over such Charged Assets in respect of Notes rated by a Rating Agency (such Notes being “**Rated Notes**”), prior notification will be made by the Issuer to such Rating Agency (as defined in Condition 17 (*Meetings of Noteholders; Modification, Waiver and Substitution*) below) of such substitution, and, if such Rating Agency is Standard & Poor’s and/or Moody’s written confirmation obtained from such Rating Agency or Rating Agencies to the Trustee that such substitution shall not result in a downgrading of any rating assigned to the Notes by each relevant Rating Agency;
- (B) all requirements of any relevant stock exchange are complied with, which, in the case of Notes listed on Official List of the Luxembourg Stock Exchange, shall include notification of such substitution to the Luxembourg Stock Exchange and publication of a supplement describing the substituted security, such supplement to be available at the specified office of the Paying Agent in the Grand Duchy of Luxembourg; and
- (C) any other requirements specified in the applicable Final Terms (including, in the case of Notes which have been rated by any Rating Agency, any requirements advised by such Rating Agency) are complied with.

Any such alternative assets shall thereafter be deemed to be Charged Assets and held subject to the security interests in favour of the Trustee set out in the Trust Deed and/or the relevant Charging Document (if any). The Issuer shall notify the Noteholders of such substitution in accordance with Condition 16 (*Notices*) not later than the date upon which such security is substituted.

The Trustee is exempted under the Trust Deed from any liability in respect of any loss or theft of the Charged Assets (other than as a result of the Trustee’s negligence, fraud or wilful misconduct), from any obligation to insure the Charged Assets and from any claim arising from the fact that the Charged Assets are (if applicable) held by the Custodian, in a clearing system or in safe custody by a bank or other custodian. The Trust Deed also provides that the Trustee may accept without investigation, requisition or objection such right, benefit, title and interest, if any, as the Issuer may have in and to any of the Charged Assets and is not bound to make any investigation into the same or into the Charged Assets in any respect.

The Trustee shall not be bound or concerned to make any investigation into the creditworthiness of any obligor in respect of the Charged Assets (including the Credit Support Provider (if any)), the validity of any such obligor’s obligations under or in respect of the Charged Assets or any of the terms of the Charged Assets (including, without limitation, whether the cashflows from the Charged Assets and the Notes are matched) or to monitor the value of any Charged Assets.

The Trust Deed and/or the Charging Document (as the case may be) provides, where applicable, for the release of the Charged Assets (or part thereof) from the security constituted by the Trust Deed and/or the Charging Document (as the case may be) to realise or, as the case may be, take enforcement

action in respect of the same and apply the net proceeds thereof in or towards satisfaction of the Issuer's obligations to the Trustee, the relevant Noteholder(s), Receiptholder(s), Couponholder(s), the Swap Counterparty (if any) and/or the Repo Counterparty (if any) on any purchase of Notes pursuant to Condition 9 (*Purchase*) or any redemption thereof pursuant to Condition 7 (*Redemption*) or on the Notes becoming due and repayable pursuant to Condition 11 (*Events of Default*).

To the extent that an obligor (including the Credit Support Provider (if any)) fails to make payments to the Issuer under the relevant Charged Assets on the due date therefor and to the extent that the Issuer Credit Enhancer (if any) fails to pay, subject to Conditions 7(b) (*Redemption in relation to the Charged Assets*), 7(d) (*Redemption upon termination of the Charged Agreements*), 9 (*Purchase*) and 11 (*Events of Default*), the Notes will become repayable in accordance with these Terms and Conditions and the security therefor will become enforceable in accordance with and subject to the provisions of Condition 12 (*Enforcement*).

(c) *Charged Agreements*

If so specified in the applicable Final Terms, the Issuer has entered into one or more interest rate and/or currency exchange agreements and/or other hedging agreements (each a "**Swap Agreement**") with the Swap Counterparty and/or repurchase agreements (each a "**Repurchase Agreement**") with the Repo Counterparty. Under a Swap Agreement, the Swap Counterparty will make certain payments to the Issuer in respect of amounts due on the Notes and/or (if applicable) the Receipts and the Coupons and the Issuer will make certain payments to the Swap Counterparty out of sums received by the Issuer or to the order of the Issuer on or in respect of the Charged Assets. Under a Repurchase Agreement, the Issuer will enter into one or more sale-and-repurchase transactions, pursuant to which the Issuer will sell certain specified assets to the relevant Repo Counterparty and will repurchase such assets on a specified date at a price specified or determined in accordance with such Repurchase Agreement.

The obligations of the Swap Counterparty in respect of any Swap Agreement may (if so specified in the applicable Final Terms) be guaranteed pursuant to a guarantee or other credit support document(s) in respect of the obligations of the Swap Counterparty under such Swap Agreement (each a "**Swap Guarantee**") by the entity named therein (the "**Swap Guarantor**"). The Swap Counterparty will (if and to the extent specified in the applicable Final Terms) be entitled to assign or transfer (including by way of novation) its rights and obligations under the Swap Agreement as the case may be.

The Swap Agreement(s) (if any), the Swap Guarantee (if any) and the Repurchase Agreement(s) (if any) applicable to the Notes are together referred to as the "**Charged Agreements**" and each a "**Charged Agreement**".

Each transaction entered into pursuant to a Swap Agreement or Repurchase Agreement will terminate on the Maturity Date unless terminated earlier in accordance with the terms thereof. In particular, each such transaction will terminate in whole or in part (as applicable) if the Notes are redeemed pursuant to Condition 7 (*Redemption*) or purchased pursuant to Condition 9 (*Purchase*). In the event of an early termination, either party may be liable to make a termination payment to the other in respect of any loss which that other party may have suffered as a result of such termination.

None of the Issuer or the Issuer Credit Enhancer or, as applicable and unless otherwise specified in the applicable Final Terms, the Swap Counterparty or the Swap Guarantor under any Swap Agreement or Swap Guarantee or the Repo Counterparty under any Repurchase Agreement is obliged to gross up any payment to be made thereunder if withholding taxes are imposed. If such is the case, the Issuer or the Issuer Credit Enhancer (if so specified in the applicable Final Terms) or, if applicable, the Swap Counterparty or the Swap Guarantor or the Repo Counterparty, on the occasion of the next payment

due under the relevant Charged Agreement, would be required by law to withhold or account for tax or would suffer tax in respect of, or would receive net of tax, its income relating to such Charged Agreement so that it would be unable to make payment of the full amount due, the provisions of Condition 7(c) (*Redemption for taxation reasons*) shall apply.

The Trustee shall not be bound or concerned to make any investigation into the creditworthiness of any of the Swap Counterparty or the Swap Guarantor or the Repo Counterparty, the validity of any obligations of the Swap Counterparty or the Swap Guarantor or the Repo Counterparty under or in respect of the Charged Agreements or any of the terms of the Charged Agreements (including, without limitation, whether the cashflows from the Charged Assets, the Charged Agreements and the Notes are matched).

To the extent that the Swap Counterparty, the Swap Guarantor or the Repo Counterparty fail to make payments due to the Issuer under the Charged Agreements and to the extent that the Issuer Credit Enhancer (if any) fails to pay, the Charged Agreements may be terminated and, upon such termination, unless otherwise specified in the applicable Final Terms and subject to Conditions 7(d) (*Redemption upon termination of the Charged Agreements*), 9 (*Purchase*) and 11 (*Events of Default*), the Notes will become repayable in accordance with these Terms and Conditions and the security therefor will become enforceable in accordance with and subject to the provisions of Condition 12 (*Enforcement*).

(d) *Realisation of Mortgaged Property upon redemption under Condition 7 (Redemption), 9 (Purchase) or 11 (Events of Default)*

In the event of the security constituted under the Trust Deed and/or the Charging Document (as the case may be) over any of the Mortgaged Property becoming enforceable on an early redemption of Notes as provided in Condition 7 (*Redemption*) or 11 (*Events of Default*) or a purchase of Notes as provided in Condition 9 (*Purchase*), the Trustee may in its discretion and, if so requested in writing by the holders of at least one-fifth in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or by the Swap Counterparty (if any) or the Repo Counterparty (if any), shall (but in each case without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders, Receiptholders or Couponholders or the Swap Counterparty (if any) or the Repo Counterparty (if any)), realise such Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of such Mortgaged Property, provided that the Trustee shall not be required to take any such action unless indemnified to its satisfaction and subject as provided in Condition 11 (*Events of Default*). On the happening of any such event, the Charged Agreement(s) (or part thereof) (if any) will terminate in accordance with its/their terms.

The Trust Deed, in relation to any relevant Series of Notes, contains provisions limiting the powers of holders of any Class Notes (in this paragraph, the “**Affected Notes**”), *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of any related Class Notes which rank prior to the Affected Notes. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of holders of any Class Notes in respect of the holders of any Affected Notes which rank behind such Class Notes to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, and any such action or Extraordinary Resolution will be binding on the holders of any related Affected Notes, irrespective of the effect thereof on their interests.

(e) *Maturity of Charged Assets*

- (i) If the Charged Assets are scheduled to mature prior to the maturity of the Notes, then, unless such Charged Assets are substituted pursuant to a Repurchase Agreement one of the following may apply as specified in the Final Terms:
- (A) the proceeds from such scheduled maturity of the Charged Assets shall be paid to the Swap Counterparty on or about such scheduled maturity date under the terms of the Swap Agreement and the redemption of the Notes at maturity will be funded by means of a final exchange payment due from the Swap Counterparty on or about the Maturity Date under the terms of the Swap Agreement (the “**Swap Counterparty Repayment Option**”); or
  - (B) the proceeds from such scheduled maturity of the Charged Assets shall be paid into the Deposit Account on or about such scheduled maturity date. The proceeds from the Deposit Account shall be used on the Maturity Date to fund the redemption of the Notes (the “**Cash Deposit Option**”); or
  - (C) the proceeds from such scheduled maturity of the Charged Assets shall be used to purchase replacement securities pursuant to Condition 3(b) (*Charged Assets*) as set out and specified in the Final Terms (the “**Securities Replacement Option**”).

For the avoidance of doubt, pursuant to the Swap Agreement, the Swap Counterparty shall continue to make the payments required to fund the interest on the Notes upon the maturity of the Charged Assets.

- (ii) if the Charged Assets are scheduled to mature subsequent to the maturity of the Notes, one of the following shall apply as specified in the Final Terms:
- (A) the redemption of the Notes at maturity will be by physical settlement pursuant to Condition 8 (*Delivery Option*) (the “**Delivery Option**”); or
  - (B) the redemption of the Notes at maturity will be by cash settlement or auction settlement (as specified in the Final Terms) funded by means of a final payment due from the Swap Counterparty under the terms of the Swap Agreement and the subsequent payments of interest and/or principal and/or any redemption premium received by the Issuer in respect of such Charged Assets shall be paid to the Swap Counterparty pursuant to the terms of the Swap Agreement (the “**Swap Continuation Option**”).

(f) *Sale of Charged Assets*

Where the Redemption Agent is required to dispose of any Charged Assets on behalf of the Issuer in order to redeem the Notes in accordance with Condition 7, then:

- (i) the Redemption Agent shall seek firm bid quotations from at least three dealers in assets such as the relevant Charged Assets (and, for such purpose, it may seek quotations in respect of such Charged Assets in their entirety or in respect of designated tranches thereof, as it considers appropriate);
- (ii) the Redemption Agent may itself provide a bid in respect of the relevant Charged Assets or any tranche thereof;

- (iii) it shall and shall be authorised to accept on behalf of the Issuer in respect of each relevant tranche or, as applicable, the entirety of the relevant Charged Assets the highest such quotation so obtained (which may be a quotation of the Redemption Agent); and
- (iv) the net proceeds of sale of the relevant Charged Assets shall be paid into the Issuer Account and applied to meet the Issuer's obligations in respect of the Notes, the Swap Agreement and, if applicable, the Repurchase Agreement.

Subject as may otherwise be provided for in these Conditions or the Final Terms, in effecting the sales, the Redemption Agent may sell the Charged Assets in one single tranche or in smaller tranches as it considers appropriate in order to attempt reasonably to maximise the proceeds from such sale. The Redemption Agent may effect sales of the Charged Assets (a) on any national securities exchange or quotation service on which the Charged Assets may be listed or quoted (b) in the over-the-counter market or (c) in transactions otherwise than on such exchanges or in the over-the-counter market. If (i) the Redemption Agent is unable to obtain any quotations for the sale of the Charged Assets or (ii) the Redemption Agent is offering to buy the Charged Assets itself for its own account for a price equal to or higher than the best quotation from a third party, the Redemption Agent may effect sales of the Charged Assets to itself.

(g) *Application of proceeds*

(i) *Mortgaged Property secured in respect of a Series of one Class only*

The Trust Deed provides that, in the case of a Series of one Class only, (subject to the provisions of Condition 7(f) (*Redemption at the option of the Noteholders*) and Condition 9 (*Purchase*)) the Realisation Amount (following payment of all amounts due to the Trustee under or pursuant to the Trust Deed, including any costs, expenses and taxes incurred in connection with enforcement or realisation in accordance with the Trust Deed or any Charging Document) shall be applied:

- (A) in the case of the security granted over the Charged Assets and any relevant Credit Support Document(s) where there is no Swap Agreement and/or Repurchase Agreement, pro rata and on a *pari passu* basis in meeting the claims of the Noteholders, the Receiptholders and the Couponholders under the Notes, the Receipts and the Coupons of that Series;
- (B) in the case of the security granted over the Charged Assets and any relevant Credit Support Document(s) where there is a Swap Agreement and/or Repurchase Agreement, in accordance with the Security Ranking Basis specified in the applicable Final Terms;
- (C) in the case of the security granted over the Mortgaged Property other than the Charged Assets and any relevant Credit Support Document(s), pro rata and on a *pari passu* basis in meeting the claims of the Noteholders, the Receiptholders and the Couponholders under the Notes, the Receipts and the Coupons of that Series; and
- (D) if applicable, after payment in accordance with (A) or (B) and (C) above, to the Issuer Credit Enhancer in respect of any payments made under the Notes Guarantee relating to that Series.

(ii) *Mortgaged Property secured in respect of a Series of more than one Class*

Where so specified in the applicable Final Terms, the Issuer's obligations in respect of two or more Classes of Notes ("**Class Notes**") within one Series may be secured upon the same

Mortgaged Property. In such circumstances, each Class of Class Notes (as identified by class number: for example, “Class 1 Notes”) may rank ahead of (in the case of a smaller class number), or behind (in the case of a larger class number), any other such Class(es), as provided below. The Trust Deed provides that, where Class Notes have been issued, subject to the provisions of Condition 7(f) (*Redemption at the option of the Noteholders*) and Condition 9 (*Purchase*), the Realisation Amount (following payment of all amounts due to the Trustee under or pursuant to the Trust Deed, including any costs, expenses and taxes incurred in connection with enforcement or realisation in accordance with the Trust Deed or any Charging Document) shall be applied in respect of each Class of the Class Notes, as set out in the applicable Final Terms.

(iii) *Application of proceeds*

For the purposes of this Condition 3(g) (*Application of proceeds*), and if so specified as the Security Ranking Basis in the applicable Final Terms, “**Private Basis**” means that the Realisation Amount shall be applied (following payment of all amounts due to the Trustee under or pursuant to the Trust Deed as aforesaid) first, in meeting the aforesaid claims of the Swap Counterparty (if any) under the Swap Agreement, the Repo Counterparty (if any) under the Repurchase Agreement and thereafter pro rata and on a *pari passu* basis in meeting the aforesaid claims of the Noteholders, the Receiptholders and the Couponholders (if applicable, applied in accordance with the relevant ranking of each Class within a Series).

For the purposes of these Conditions, “**Realisation Amount**” means, unless otherwise specified in the applicable Final Terms, the equivalent in the Specified Currency of the net proceeds of the realisation or, as the case may be, redemption of the Charged Assets (or, as the case may be, part thereof) and/or, if applicable, enforcement of the Credit Support Document(s) received by or on behalf of the Issuer (or, in the case of enforcement, by or on behalf of the Trustee), having taken into account, for the avoidance of doubt, (i) any costs and expenses which may be incurred by or on behalf of the Issuer, including taxes and other charges in connection with the delivery or sale of any Charged Assets, and (ii) accrued interest (if any).

(h) *Limited recourse*

- (i) All payments to be made by the Issuer hereunder in respect of the Notes, Receipts and Coupons, the Swap Agreement (if any) and the Repurchase Agreement (if any) will be made only from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee in respect of (i) the Charged Assets and, if applicable, Credit Support Document(s) and (ii) in the case of the Notes, Receipts and Coupons, the other Mortgaged Property (as defined in Condition 3(a) (*Security*)) in respect of this Series (applied, if applicable, in accordance with the ranking of the Classes within this Series);
- (ii) To the extent that such sums are less than the amount which the holders of the Notes, Receipts and Coupons, the Swap Counterparty (if any) and the Repo Counterparty (if any) may have expected to receive if paragraph (i) above did not apply (the difference being referred to herein as a “**shortfall**”), such shortfall will be borne by such holders, by the Swap Counterparty (if any) and by the Repo Counterparty (if any) in accordance with these Terms and Conditions and, where applicable, the Security Ranking Basis specified in the applicable Final Terms and, if applicable, the ranking of the Classes within this Series; and

- (iii) Each holder of Notes, Receipts or Coupons, by subscribing for or purchasing such Notes, Receipts or Coupons, each Swap Counterparty (if any) and each Repo Counterparty (if any), will be deemed to accept and acknowledge that it is fully aware that:
- (A) the holders of the Notes, Receipts and Coupons, the Swap Counterparty (if any) and the Repo Counterparty (if any) shall look solely to the sums referred to in (i) above, as applied in accordance with (ii) above, (the “**Relevant Sums**”) for payments to be made by the Issuer hereunder in respect of the Notes, Receipts and Coupons, the Swap Agreement (if any) and the Repurchase Agreement (if any);
  - (B) the obligations of the Issuer to make payments in respect of the Notes, Receipts and Coupons, the Swap Agreement (if any) and the Repurchase Agreement (if any) will be limited to the Relevant Sums and the holders of the Notes, Receipts and Coupons, the Swap Counterparty (if any) and the Repo Counterparty (if any) shall have no further recourse to the Issuer in respect of the Notes, Receipts, Coupons, the Swap Agreement (if any) and the Repurchase Agreement (if any), respectively;
  - (C) without prejudice to the foregoing, any right of the holders of the Notes, Receipts and Coupons, the Swap Counterparty (if any) and the Repo Counterparty (if any) to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and
  - (D) the holders of the Notes, Receipts and Coupons, the Swap Counterparty (if any) and the Repo Counterparty (if any) shall not be able to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer or (where applicable) the appointment of an examiner in respect of the Issuer, as a consequence of any such shortfall.

Such limitation shall be without prejudice to any claims against the relevant Issuer Credit Enhancer (if any).

Any inability by the Issuer to make any payment due in respect of a partial redemption of the Notes, to meet its obligations to the Swap Counterparty (if any) upon termination of the Swap Agreement (or part thereof) or to meet its obligations to the Repo Counterparty (if any) upon termination of the Repurchase Agreement (or part thereof) as a result of such a shortfall shall not constitute an Event of Default under Condition 11 (*Events of Default*), nor entitle the Swap Counterparty (if any), the Swap Guarantor (if any), the Repo Counterparty (if any) or the Credit Support Provider (if any) to terminate the remainder (if any) of the Charged Agreement(s) or the Credit Support Document(s).

None of the Trustee, the shareholders or directors of the Issuer, any Swap Counterparty, any Swap Guarantor, any Repo Counterparty nor any Credit Support Provider has any direct obligation to any Noteholder, Receiptholder or Couponholder in relation to any failure by the Issuer to make payment of any amount due in respect of the Notes, Receipts or Coupons.

#### **4 Restrictions**

So long as any of the Notes remain outstanding, the Issuer will not, without the written consent of the Trustee and the Swap Counterparty (if any) and the Repo Counterparty (if any):

- (a) engage in any activity or do anything whatsoever, except:
  - (i) (1) issue Notes as contemplated by the Trust Deed (which may be rated or unrated) or (2) enter into or incur indebtedness in respect of moneys borrowed or raised where such indebtedness is



incurred on terms (A) that such indebtedness is secured on specified assets of the Issuer (other than its share capital) which do not form part of the Charged Assets or other Mortgaged Property in respect of any Series of Notes, (B) that recourse in respect of such indebtedness is limited to such secured assets, (C) that the enforcement provisions relating to such indebtedness are substantially similar to those contained in these Conditions and (D) which provide for the extinguishment of all claims in respect of such indebtedness after application of the proceeds of the assets on which such indebtedness is secured (such indebtedness, together with the Notes, the “**Debt Obligations**”) provided that if the Issuer has previously issued Rated Notes which are outstanding, the Issuer may not enter into or incur such indebtedness until prior notification has been made by the Issuer to such relevant Rating Agency and if such relevant Rating Agency is Standard & Poor’s and/or Moody’s, Standard & Poor’s and/or Moody’s (as applicable) has confirmed in writing that the ratings of all outstanding Debt Obligations of such Issuer which are rated by such relevant Rating Agency will not be adversely affected by such indebtedness, subject to the maximum aggregate principal amount which may be outstanding under the Programme at any one time under the Programme Agreement;

- (ii) acquire and own Charged Assets or any assets used to secure any Debt Obligations and exercise its rights and perform its obligations in respect thereof;
  - (iii) perform its obligations under the Trust Deed, the Agency Agreement, the Custodial Services Agreement, any Charged Agreements and any Credit Support Documents and agreements incidental to the issue and constitution of, and the granting of security for, Notes and any agreements relating to the creation of, the granting of security for, or incidental to, any Debt Obligations;
  - (iv) enforce any of its rights whether under the Agency Agreement, the Custodial Services Agreement, any Charged Agreements, any Credit Support Documents or the Trust Deed or otherwise under any agreement entered into in relation to any Debt Obligations or the Mortgaged Property relating to any Series; or
  - (v) perform any act incidental to or necessary in connection with any of the above, including without limitation, entering into any swap, option or forward foreign exchange agreement in connection with the issue of Notes or its entry into any Debt Obligations other than Notes;
- (b) have any subsidiaries;
  - (c) subject to (a)(i) above, dispose of any of its property or other assets or any part thereof or interest therein (otherwise than in accordance with Condition 9 (*Purchase*));
  - (d) create or permit within its control to subsist any charge, mortgage, lien or other encumbrance over the Mortgaged Property other than those encumbrances created pursuant to, or as referred to in, the Trust Deed or the Charging Document;
  - (e) have any employees;
  - (f) declare any dividends or make any distributions of any other kind;
  - (g) issue any further shares; or
  - (h) perform such other activities as are expressly restricted in the Master Trust Deed.

## 5 Interest

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms and in the following sentence, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on that date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (as specified in the applicable Final Terms), half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions:

“**Day Count Fraction**” means, for the purposes of this Condition 5(a):

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

“**Determination Date**” means the date specified as such in the applicable Final Terms;

“**Determination Period**” means the period from (and including) a Determination Date to but excluding the next Determination Date;

“**euro**” and “**€**” mean the currency introduced at the start of the third stage of economic and monetary union pursuant to the Treaty;

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

“**sub-unit**” means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent;

“**TARGET Day**” means (i) until such times as the TARGET System is permanently closed down and ceases operations, any day on which both the TARGET System and the TARGET2 System are open for the settlement of payments in euro and (ii) following such time as the TARGET System is closed down and ceases operations, any day on which the TARGET2 System is open for the settlement of payments in euro;

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

“**TARGET2 System**” means the Trans European Automated Real-Time Gross Settlement Express Transfer System which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto; and

“**Treaty**” means the Treaty establishing the European Community, as amended by the Treaty on European Union.

(b) *Interest on Floating Rate Notes and Indexed Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Final Terms; or
- (B) if no express Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date

should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the FRN Convention and Specified Periods are specified in accordance with (i)(B) above, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means (unless otherwise specified) a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Luxembourg and any Additional Business Centre specified in the applicable Final Terms; and
  - (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Luxembourg and any Additional Business Centre and which if the Specified Currency is New Zealand dollars or Australian dollars shall be Auckland or Sydney, respectively) or (2) in relation to any sum payable in euro, a day which is a TARGET Day.
- (ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the

Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms;
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone interbank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms; and
- (4) Linear interpolation is applicable or not applicable in respect of such Interest Period, is as specified in the applicable Final Terms.

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

*(B) Screen Rate Determination for Floating Rate Notes*

- (1) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified to be either LIBOR or EURIBOR, the Rate of Interest for each Interest Period will, subject as provided below, be either:
  - (x) the offered quotation; or
  - (y) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent Bank. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent Bank for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 5(b)(ii)(B)(1) above, no such offered quotation appears or, in the case of Condition 5(b)(ii)(B)(1)(y) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Agent Bank shall request each of the Reference Banks (as defined below) to provide the Agent Bank with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent Bank with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with

0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent Bank.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent Bank by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent Bank with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent Bank it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

- (2) Where the Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

For the purposes of this Condition 5(b)(ii) “**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent or as specified in the applicable Final Terms.

(iii) *Minimum and/or maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above would otherwise be less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. The Rate of Interest shall be subject to a minimum of zero.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above would otherwise be greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent Bank, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Indexed Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period and will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent Bank or, as the case may be, the Calculation Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Indexed Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall, unless otherwise specified in the applicable Final Terms, be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of this Condition 5(b), “**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these General Instrument Conditions or the relevant Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
  - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;
- (b) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (c) where the Calculation Period is longer than one Regular Period, the sum of:

- (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
- (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;
- (d) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (e) “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (f) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (g) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

Where:

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

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

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

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

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

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

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

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

Where:

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



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

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

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

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

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

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent Bank or, as the case may be, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and thereafter notice thereof to be given to the Noteholders, Receiptholders and Couponholders in accordance with Condition 16 (*Notices*) as soon as possible after their determination but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*).

(vi) *Determination of calculation by Trustee*

If the Agent Bank or, as the case may be, the Calculation Agent at any material time defaults in its obligation to determine the Rate of Interest or the Interest Amounts in accordance with sub-paragraphs (ii) to (iv) above, the Trustee or an appointee thereof shall (A) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in sub-paragraph (ii) above), it shall deem fair and reasonable in all the circumstances and (B) calculate the Interest Amounts in the manner specified in sub-paragraph (iv) above, and such determination and calculation shall be deemed to be a determination and calculation by the Agent Bank or, as the case may be, the Calculation Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) (*Interest on Floating Rate Notes and Indexed Interest Notes*), whether by the Agent Bank, the Calculation Agent or, if applicable, the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Agent Bank, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent Bank, the

Calculation Agent or the Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Accrual of interest*

Subject as provided in these Terms and Conditions or the applicable Final Terms, each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

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

## 6 Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(b) *Presentation of definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest (if any) in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Coupon, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above

against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes or Indexed Interest Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined below) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Interest Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Notwithstanding the foregoing, payments on a Temporary Global Note due prior to the Exchange Date will only be made, if the applicable Final Terms so specifies, upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations, and no payments due after the Exchange Date will be made on the Temporary Global Note unless, upon due certification, exchange of the Temporary Global Notes for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

*(c) Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it

was presented or surrendered and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Bearer Global Note and the obligations of the Issuer or, as the case may be, the Issuer Credit Enhancer in respect of the Notes will be discharged *pro tanto* by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear and Clearstream, Luxembourg as the beneficial holder of a particular principal amount of Notes represented by such Bearer Global Notes must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment made by the Issuer or, as the case may be, the Issuer Credit Enhancer to, or to the order of, the holder of such Bearer Global Note. Such persons shall have no claim directly against the Issuer and/or the Issuer Credit Enhancer, as the case may be, in respect of payments due on the Notes for so long as such Bearer Global Note is outstanding and the Issuer and/or the Issuer Credit Enhancer, as the case may be, will be discharged by payment to the holder of such Bearer Global Note in respect of each amount so paid.

(d) *Payments in respect of Registered Notes*

Payment of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payment will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note (save for any Registered Notes to be cleared through DTC or any Registered Global Notes) appearing in the Register at the close of business on the fifteenth business day (being for the purposes of this paragraph (d) a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date or in the case of Registered Notes to be cleared through DTC, on the fifteenth DTC business day before the due date for payment thereof or in the case of any other Registered Global Notes, the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for payment thereof (the “**Record Date**”). For the purpose of this Condition 6(d), “**DTC business day**” means any day on which DTC is open for business and “**Clearing System Business Day**” means a day on which the relevant clearing system is open for business. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of a payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest (if any) and payments of instalments of principal (if any) (other than the final instalment) in respect of each Registered Note (other than payments in a Specified Currency other than U.S. dollars while such Note is represented by a Restricted Global Note registered in the name of, or in the name of a nominee for, DTC) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day immediately preceding the

relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date at his address shown in the Register and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become due and payable to the holder who made the application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

Notwithstanding the foregoing, payments of principal and interest in respect of Restricted Global Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars, will be made or procured to be made by the Paying Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such Specified Currency by wire transfer or same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will cause the Exchange Agent to deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(e) *General provisions applicable to payments*

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the beneficial holder of a particular principal amount of Notes represented by any Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment made by the Issuer or, as the case may be, the Issuer Credit Enhancer to, or to the order of, the holder of such Global Note. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as such Global Note is outstanding and the Issuer will be discharged by payment to the holder of such Global Note in respect of each amount so paid.

Every payment of principal or interest in respect of the Notes or any Class of Notes to or to the account of the relevant Paying Agent and/or the Redemption Agent (as the case may be) in the manner provided in the Agency Agreement relating to such Notes or Class of Notes shall operate in satisfaction

*pro tanto* of the relevant obligation of the Issuer in respect of such Notes or Class of Notes to pay such principal or interest except to the extent that there is default in the subsequent payment thereof in accordance with the Conditions of such Notes or Class of Notes to the Noteholders, Receiptholders or Couponholders (as the case may be) of such Notes or Class of Notes. Any receipt by the Custodian of any proceeds in respect of the Charged Assets or any other assets forming part of the Mortgaged Property which are required to be applied to pay principal or interest in respect of the Notes or any Class of Notes shall operate in satisfaction *pro tanto* of the relevant obligation of the Issuer in respect of such Notes or Class of Notes to pay such principal or interest except to the extent that there is any default in the subsequent payment thereof by the Custodian to the relevant Paying Agent and/or the relevant Redemption Agent.

Notwithstanding the foregoing provisions of this Condition 6, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer or, if applicable, the Issuer Credit Enhancer and the Trustee, adverse tax consequences to the Issuer or, if applicable, the Issuer Credit Enhancer.

Where Physical Settlement is specified in the applicable Final Terms, the provisions of this Condition 6 shall be subject to the provisions of Condition 8 (*Delivery Option*).

(f) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (A) the relevant place of presentation;
- (B) Luxembourg; and
- (C) any Additional Financial Centre specified in the applicable Final Terms,

and either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Luxembourg and any Additional Financial Centre and which if the Specified Currency is New Zealand dollars or

Australian dollars shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(g) *Interpretation of principal*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) in relation to Notes redeemable in instalments, the Instalment Amounts or, as the case may be, the outstanding aggregate principal amount;
- (v) in relation to Credit-Linked Notes, the Cash Settlement Amount;
- (vi) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes; and
- (vii) in the case of Notes to which the Delivery Option set out in Condition 8 (*Delivery Option*) applies, the Asset Amount.

## 7 Redemption

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer on the Maturity Date or, in the case of Instalment Notes, at the Instalment Amount due on each Instalment Date (each as specified in the applicable Final Terms), as specified in the applicable Final Terms either by (i) Cash Settlement at its Final Redemption Amount or as otherwise specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency and/or (ii) Physical Settlement in accordance with Condition 8 (*Delivery Option*). Credit-Linked Notes shall be redeemed in accordance with the Standard Terms for Credit-Linked Notes as attached in Annex A hereto, or as otherwise specified in the applicable Final Terms.

(b) *Redemption in relation to the Charged Assets*

(i) *Early repayment of Charged Assets other than by reason of default in payment*

Subject to Condition 7(b)(iii) (*General Provisions*) below, if the Charged Assets (or part thereof) become due and repayable on a date prior to their stated maturity date (other than by reason of default in payment), then the Issuer shall, forthwith upon becoming aware of such event, on giving such period of notice as expires not more than ten nor less than five Business Days following the date upon which the Issuer is to receive the redemption proceeds of such Charged Assets (or, if applicable, of enforcement of the Credit Support Document(s) (if any)) (or such other period of notice as may be otherwise agreed with the Trustee or unless the Trustee shall certify to the Issuer that it considers in its absolute discretion that it is in the best interests of the Noteholders that such notice be delayed or not given or an Extraordinary Resolution of the Noteholders shall otherwise direct, subject, in the case of Class Notes, to restrictions contained in the Trust Deed to protect the interests of the holders of related Class Notes) to the Trustee, the Swap Counterparty (if any), the Repo Counterparty (if any), the Principal Paying Agent, the Registrar (if applicable) and to the Noteholders in accordance with

Condition 16 (*Notices*), redeem the Notes (or part thereof) at the Early Redemption Amount on the expiry of such notice.

(ii) *Default in payment by obligor of Charged Assets*

Subject to Condition 7(b)(iii) (*General Provisions*) below, if the Charged Assets (or part thereof) become due and repayable (or, if applicable, the Credit Support Document(s) (if any) becomes enforceable) by reason of default in payment by the obligor of such Charged Assets continuing after the expiry of any applicable grace period, the Issuer shall forthwith give notice thereof to the Trustee and the Trustee shall thereafter notify the Redemption Agent specified in the applicable Final Terms. The Redemption Agent shall, subject to the provisions of the Trust Deed, enforce the security (or the part thereof relating to the Repayable Assets (as defined in Condition 7(b)(iii) (*General Provisions*) below)) as soon as reasonably practicable by arranging for and administering the sale of the Charged Assets in accordance with Condition 3(f) (or, if applicable, of enforcement of the Credit Support Document(s) (if any)) (or in the event that some only of the Charged Assets become due and repayable as provided above, the relevant proportion thereof). The Issuer shall at the same time (unless otherwise agreed by the Trustee) give notice (x) that the Notes (or part thereof) are to be redeemed at the Early Redemption Amount pursuant to this Condition 7(b)(ii) following receipt of the realisation proceeds of the Charged Assets (or, if applicable, of enforcement of the Credit Support Documents (if any)) (or part thereof) and (y) upon receipt of such proceeds, of the date upon which the Notes (or part thereof) are to be redeemed (which date shall be not more than ten nor less than five Business Days following receipt of such proceeds), in both cases to the Noteholders in accordance with Condition 16 (*Notices*), the Swap Counterparty (if any), the Repo Counterparty (if any), the Credit Support Provider (if any), the Principal Paying Agent and the Registrar (if applicable).

(iii) *General Provisions*

Subject as provided below, in the event that some only of the Charged Assets become repayable (or, if applicable, part only of the Credit Support Document(s) (if any) become enforceable) as aforesaid (the “**Repayable Assets**”) pursuant to Conditions 7(b)(i) (*Early repayment of Charged Assets other than by reason of default in payment*) or 7(b)(ii) (*Default in payment by obligor of Charged Assets*) above, each Note will be partially redeemed on a pro rata basis in an aggregate principal amount equal to the proportion of the then outstanding aggregate principal amount of the Notes that the principal amount of the Repayable Assets bears to the aggregate principal amount of all of the Charged Assets, subject as provided below.

Inability to make payment of the full amount due in respect of a partial redemption of the Notes under this Condition 7(b) or any termination payment under any Charged Agreement shall not constitute an Event of Default under Condition 11 (*Events of Default*). In the event of any such redemption under this Condition 7(b) becoming due to be made by the Issuer, the Charged Agreements (and/or, as applicable, the transactions entered into thereunder) (or a proportionate part thereof which corresponds to the Notes to be redeemed) will be terminated and the security (or the part thereof relating to the Repayable Assets) constituted by the Trust Deed and/or any Charging Document shall become enforceable and the Trustee may take such action as is provided in Condition 12 (*Enforcement*).



(c) *Redemption for taxation reasons*

If:

- (i) the Issuer (A) would be required by law to withhold or account for tax, (B) would suffer tax in respect of its income in respect of the Charged Assets or payments made to it under a Charged Agreement or (C) would receive net of tax any payment in respect of the Charged Assets or a Charged Agreement, so that it would be unable to make payment of the full amount due in respect of the Notes, Receipts and Coupons; or
- (ii) if so specified in the applicable Final Terms, the Issuer Credit Enhancer would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required by law to withhold or account for tax,

save in each case:

- (A) where such withholding or deduction is imposed on payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (B) (if applicable) where such withholding or accounting for tax could have been avoided if the relevant Noteholder or Couponholder presented the relevant Note or Coupon to another Paying Agent in a Member State of the European Union,

the Issuer or, as the case may be, the Issuer Credit Enhancer shall as soon as reasonably practicable so inform the Trustee and, if applicable, the Swap Counterparty (if any), the Repo Counterparty (if any) and each relevant Rating Agency and may use its reasonable endeavours to arrange the substitution of it as obligor under the Notes by a company approved in writing by the Trustee and, if applicable, the Swap Counterparty (if any) and/or the Repo Counterparty (if any) (such approval of the Swap Counterparty (if any) and/or the Repo Counterparty (if any) not to be unreasonably withheld or delayed) incorporated in another jurisdiction wherein such withholding would not be applicable or such tax would not be accountable or suffered (subject to prior notification to each relevant Rating Agency and if any such relevant Rating Agency is Standard & Poor's and/or Moody's, written confirmation from Standard & Poor's and/or Moody's that there would be no adverse change to the credit rating assigned to the relevant Notes by each relevant Rating Agency), provided that such endeavours shall not result in the Issuer or, as the case may be, the Issuer Credit Enhancer incurring irrecoverable costs.

If the Issuer or, as the case may be, the Issuer Credit Enhancer is unable to or does not arrange such substitution before the next payment is due in respect of the Notes (or is unable to do so in a tax-efficient manner), the Issuer or, as the case may be, the Issuer Credit Enhancer shall as soon as reasonably practicable so notify the Trustee and, if applicable, the Swap Counterparty (if any), the Repo Counterparty (if any) and each relevant Rating Agency, and:

- (iii) if the Charged Agreements include a Swap Agreement or Repurchase Agreement, the Swap Counterparty or Repo Counterparty, as applicable, shall have the right under the Swap Agreement or Repurchase Agreement to elect within 20 days of notification by the Issuer or, as the case may be, the Issuer Credit Enhancer to pay to the Issuer or, as the case may be, the Issuer Credit Enhancer such amounts as will enable the Issuer or, as the case may be, the Issuer

Credit Enhancer (after such withholding, accounting or suffering) to pay (and, in such event, the Issuer or, as the case may be, the Issuer Credit Enhancer will be obliged to pay) on such next due date for payment to the Noteholders, Receiptholders and Couponholders the amounts which they would have received in the absence of such withholding, accounting or suffering and, if the Swap Counterparty or Repo Counterparty, as applicable, so exercises such right, no redemption under this Condition 7(c) shall occur. If the Swap Counterparty or Repo Counterparty, as applicable, does not so exercise such right, the provisions of sub paragraph (iv) below shall apply; or

(iv) if the Charged Agreements do not include a Swap Agreement or Repurchase Agreement or the Swap Counterparty or Repo Counterparty, as applicable, does not exercise its right referred to in sub-paragraph (iii) above:

(A) the Issuer or, as the case may be, the Issuer Credit Enhancer shall notify the Principal Paying Agent, the Registrar (if applicable) and the Noteholders in accordance with Condition 16 (*Notices*) by promptly giving notice that, with effect from the Interest Payment Date or, if none, the Interest Commencement Date, all further payments in respect of the Notes shall be made subject to, and after deduction of, all applicable taxes. Any such deduction shall not constitute an Event of Default under Condition 11 (*Events of Default*); and

(B) upon notification to the Noteholders in accordance with sub-paragraph (A) above:

(1) each Noteholder may, by giving written notice in the manner described in Condition 7(f) (*Redemption at the option of the Noteholders*) to the Issuer, or (if applicable) the Issuer Credit Enhancer, require the Issuer, failing whom the Issuer Credit Enhancer, to redeem all, but not some only of the Notes held by such Noteholder by Cash Settlement at the Early Redemption Amount. Such notice shall be given not later than 20 days (the “**Notification Date**”) following the date upon which the Issuer gave the notice referred to in sub paragraph (A) above; or

(2) if Condition 7(c)(i)(A) applies, the Issuer may be giving notice to the Principal Paying Agent, the Registrar (if applicable) and the Noteholders in accordance with Condition 16 (*Notices*), redeem some or all of the Notes.

In the event that the Issuer becomes obliged or elects to redeem any Notes in accordance with sub paragraph (B) above, the Issuer shall on the Business Day immediately following the Notification Date give notice thereof to the Trustee and the Redemption Agent. The Redemption Agent shall on behalf of the Trustee, subject to the provisions of the Trust Deed, enforce the security (or, in the event that only some of the Notes are to be redeemed, the relevant proportion thereof) as soon as reasonably practicable by arranging for and administering the sale of the Charged Assets in accordance with Condition 3(f) (or in the event that some only of the Notes are to be redeemed, the relevant proportion thereof). Forthwith upon receipt of the sale proceeds thereof, the Issuer shall (unless otherwise agreed by the Trustee) give not more than 10 nor less than five Business Days’ notice, which notice shall be irrevocable, to the Noteholders in accordance with Condition 16 (*Notices*), the Swap Counterparty (if any), the Repo Counterparty (if any), the Credit Support Provider (if any), the Principal Paying Agent and the Registrar (if applicable) of the date on which such Notes are to be redeemed (which date shall be as soon as practicable after receipt of such proceeds by the Issuer).

Inability to make payment of the full amount due in respect of a partial redemption of the Notes under this Condition 7(c) shall not constitute an Event of Default under Condition 11 (Events of Default). In the event of any such redemption under this Condition 7(c) becoming due to be made by the Issuer, the Charged Agreements (and/or, as applicable, the transactions thereunder) (or in each case the relevant proportion thereof) will terminate and the security (or the relevant portion thereof) constituted by the Trust Deed and/or any Charging Document shall become enforceable and the Trustee may take such action as is provided in Condition 12 (*Enforcement*).

Notwithstanding the foregoing, if any of the taxes referred to in this Condition arises:

- (i) owing to any connection of any Noteholder, Receiptholder or Couponholder with the taxing jurisdiction to which the Issuer is subject otherwise than by reason only of the holding of this Note, Receipt or Coupon or receiving principal or interest in respect thereof; or
- (ii) by reason of the failure by the relevant Noteholder, Receiptholder or Couponholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax,

then, to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to such Noteholder, Receiptholder or Couponholder and the provisions of Condition 7(c)(iv)(B)(1) shall not apply. Any such deduction shall not constitute an Event of Default under Condition 11 (*Events of Default*).

(d) *Redemption upon termination of the Charged Agreements*

If any Charged Agreement is terminated (in whole but not in part) for any reason other than in connection with a redemption or purchase of the Notes pursuant to Condition 7 (*Redemption*) (other than this Condition 7(d)), Condition 9 (*Purchase*) or Condition 11 (*Events of Default*), then the Issuer shall forthwith give notice thereof to the Trustee and the Redemption Agent. The Redemption Agent shall, subject to the provisions of the Trust Deed, enforce the security as soon as reasonably practicable by arranging and administering the sale of the Charged Assets in accordance with Condition 3(f). The Issuer shall at the same time give notice, which notice shall be irrevocable, to the Noteholders in accordance with Condition 16 (*Notices*) and to the Trustee, the Principal Paying Agent, the Registrar (if applicable), the Swap Counterparty (if applicable), the Repo Counterparty (if applicable) and the Credit Support Provider (if applicable) that the Notes are to be redeemed pursuant to this Condition 7(d). Forthwith upon receipt of the sale proceeds of the Charged Assets, the Issuer shall (unless otherwise agreed by the Trustee) give not more than ten nor less than five Business Days' notice in accordance with Condition 16 (*Notices*), which notice shall be irrevocable, of the date upon which the Notes are to be redeemed. Upon the expiry of such notice the Issuer shall redeem all but not some only of the Notes by Cash Settlement at the Early Redemption Amount, unless the Trustee shall certify to the Issuer that it considers in its absolute discretion that it is in the best interests of the Noteholders that such notice and redemption be delayed or not given or made, as the case may be, or an Extraordinary Resolution of the Noteholders shall otherwise direct, subject, in the case of Class Notes, to restrictions contained in the Trust Deed to protect the interests of the holders of the related Class Notes.

In the event of any such redemption becoming due to be made by the Issuer in accordance with this Condition 7(d), the security constituted by the Trust Deed and/or any Charging Document shall become enforceable and the Trustee may take such action as is provided in Condition 12 (*Enforcement*).

(e) *Redemption at the option of the Issuer*

If the Issuer is specified in the applicable Final Terms as having an option to redeem, the Issuer may:

- (i) having provided evidence to the satisfaction of the Trustee that it has or, following, *inter alia*, the sale of the Charged Assets in accordance with Condition 3(f), termination of the Charged Agreements and payment of all costs and expenses incidental thereto, will have sufficient funds to meet its obligations to Noteholders pursuant to this Condition 7(e);
- (ii) having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16 (*Notices*); and
- (iii) having given not less than 15 days before the giving of the notice referred to in (ii), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar, the Trustee, the Swap Counterparty (if any), the Repo Counterparty (if any), the Redemption Agent (if any) and the Credit Support Provider (if any),

(which notices shall be irrevocable and shall specify the applicable Optional Redemption Date fixed for redemption), redeem all but not some only of the Notes then outstanding by Cash Settlement at their outstanding principal amount and/or by Physical Settlement in accordance with the provisions of Condition 8 (*Delivery Option*) on any Optional Redemption Date specified in, or determined in the manner specified in, the applicable Final Terms together with interest (if any) accrued to (but excluding) the relevant Optional Redemption Date.

The Issuer may compel any beneficial owner of the Rule 144A Notes to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a QIB and a QP.

Upon any redemption pursuant to this Condition 7(e), the Redemption Agent shall, forthwith upon receiving the notice referred to in (iii) above and subject to confirmation from the Trustee in respect of (i) above, arrange and administer the sale of the Charged Assets in accordance with Condition 3(f), and the Charged Agreements (and/or, as applicable, the transactions thereunder) will be terminated. The security over the Charged Assets securing the Notes will be released by the Trustee subject to the provisions specified in the Trust Deed to provide funds for such redemption.

(f) *Redemption at the option of the Noteholders*

(i) *General option*

If the Noteholders are specified in the applicable Final Terms as having an option to require the Issuer to redeem the Notes by Cash Settlement and/or Physical Settlement, upon the holder of any Note giving to the Issuer in accordance with Condition 7(f)(iii) (*Exercise of put*) not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms, the Issuer will redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole in the case of a Bearer Note, such Note on the relevant Optional Redemption Date by Cash Settlement at the lesser of the Optional Redemption Amount specified in the applicable Final Terms and the Realisation Amount in respect of such Note, subject as provided in Condition 7(f)(iii) (*Exercise of put*) and Condition 7(f)(iv) (*Consequence of exercise of put option*) below. Such payment shall be deemed to include an amount in respect of interest (if any) accrued on such Note from the Interest Payment Date immediately preceding the Optional Redemption Date or, if none, the Interest Commencement Date. Registered Notes may be redeemed under this Condition 7(f) in any multiple of their lowest Specified Denomination.

As more fully described in Condition 7(f)(iv) (*Consequence of exercise of put option*) below, the Issuer shall only make payments in respect of any Note being redeemed pursuant to this Condition 7(f) to the extent of sums received in respect of the relevant Mortgaged Property (and applied in accordance with the Security Ranking Basis) and the redeeming Noteholder shall have no claims for any further amounts in respect of any shortfall (as defined in Condition 7(f)(iv) (*Consequence of exercise of put*) below) and no such shortfall shall constitute an Event of Default under Condition 11 (*Events of Default*).

(ii) *Liquidity Option*

If the Noteholders are specified in the applicable Final Terms as having the liquidity option where the Charged Agreements include a Swap Agreement and/or a Repurchase Agreement, upon (i) notice being given by the holder of any Note or, as the case may be, by or on behalf of the holder(s) of all of the outstanding Notes of the relevant Series to the Issuer in accordance with Condition 7(f)(iii) (*Exercise of put*), such notice being of a period of not less than 15 nor more than 30 days or such other period of notice as is specified in the applicable Final Terms and (ii) the Swap Counterparty and/or the Repo Counterparty having consented in writing to the termination of the Swap Agreement and/or the Repurchase Agreement (or proportionate part thereof which corresponds to the Notes to be redeemed), the Issuer will redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note(s) on the relevant Optional Redemption Date by Physical Settlement together with interest (if any) accrued from the Interest Payment Date immediately preceding the Optional Redemption Date, or, if none, the Interest Commencement Date, to (but excluding) the relevant Optional Redemption Date, subject as provided in Condition 7(f)(iii) (*Exercise of put option*), Condition 7(f)(iv) (*Consequence of exercise of put option*) and Condition 8 (*Delivery Option*) below. In connection with a redemption pursuant to this Condition 7(f)(ii), any termination payment due from the Issuer in connection with the termination of the Charged Agreements (or the relevant proportion thereof) shall be deducted from the Realisation Amount or, as the case may be, paid by the Noteholders in accordance with Condition 8(f) (*Costs and expenses*).

(iii) *Exercise of put*

If the Note is in definitive form, to exercise the right to require redemption of the Note the holder of the Note or its duly authorised representative must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar or such Transfer Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar or any Transfer Agent (a “**Put Notice**”) and in which the holder or its duly authorised representative must specify (a) a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7(f) and/or (b) all details relating to the delivery of any assets pursuant to this Condition 7(f) as may be reasonably required by the Issuer and (c) in the case of Registered Notes, the principal amount thereof to be redeemed and, if less than the full principal amount of the Registered Note so delivered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Note is to be sent subject to and in accordance with the provisions of Condition 1 (*Form, denomination, title, registration, transfer and exchange*). Holders of Notes represented by a Global Note must exercise the right to require redemption of their Notes

by giving notice (including all information required in the applicable Put Notice) through Euroclear and Clearstream, Luxembourg (as the case may be).

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing and the Trustee shall have declared the Notes due and repayable in which event such holder, at its option, may elect by notice to the Issuer in accordance with Condition 16 (*Notices*) to withdraw the Put Notice.

For the avoidance of doubt, the provisions of this paragraph (iii) and paragraph (iv) will also apply in the case of an option exercised pursuant to the liquidity option under paragraph (ii) and references to “**Noteholder**” and “**holder**” of a Note will also be construed as references to “**Dealer**”.

(iv) *Consequence of exercise of put option*

Upon receipt of any notice pursuant to this Condition 7(f), the Issuer shall promptly, and in any event within three Business Days, give notice of such optional redemption to the Trustee, the Redemption Agent (if applicable), the Swap Counterparty (if any), the Repo Counterparty (if any) and the Credit Support Provider (if any). The Redemption Agent shall, if applicable, as soon as reasonably practicable arrange for and administer the sale (in accordance with Condition 3(f)) and/or, as the case may be, delivery of the Charged Assets (or a proportionate part thereof which corresponds to the Notes to be redeemed).

Upon any redemption pursuant to this Condition 7(f) (other than any redemption pursuant to Condition 7(f)(ii)), the Charged Agreements (or a proportionate part thereof which corresponds to the Notes to be redeemed) will be terminated and the security (or the relevant proportion thereof) constituted by the Trust Deed and/or any Charging Document will be released against receipt by or to the order of the Trustee of such Charged Assets and/or the net proceeds of realisation of any of such Charged Assets for application by or to the order of the Trustee in accordance with Condition 3(g) (*Application of proceeds*) but subject to the provisions of this Condition 7(f).

Upon any redemption pursuant to Condition 7(f)(ii), the Charged Agreements (or a proportionate part thereof which corresponds to the Notes to be redeemed) will be terminated and the security (or the relevant proportion thereof) constituted by the Trust Deed and/or any Charging Document will be released against receipt by a recipient designated by, or otherwise to the order of, the holders of the relevant Notes to which such Charged Assets relate of such Charged Assets and/or the net proceeds of realisation of any such Charged Assets, subject to the Trustee being indemnified to its satisfaction and the provisions of this Condition 7(f).

The amount falling due on redemption of any Note redeemed pursuant to paragraphs (i) and/or (ii) above shall be subject to deduction for any costs or expenses (including taxes and other charges) which the Issuer may incur or which may be made against it as a result of or in connection with the redemption of such Note, including any costs or expenses payable by the Issuer in connection with the delivery or sale of the Charged Assets (or part thereof) or, in the case of paragraph (i) only, the termination of the Charged Agreements (if any) (or part thereof).

(g) *Early Redemption Amounts*

For the purpose of Conditions 7(b) (*Redemption in relation to the Charged Assets*), (c) (*Redemption for taxation reasons*) and (d) (*Redemption upon termination of the Charged Agreements*), the Early

Redemption Amount in respect of each Note will, unless otherwise specified in the applicable Final Terms, be the lesser of:

- (i) the Realisation Amount in respect of such Note (applied in accordance with Condition 3(g) (*Application of proceeds*)); and
- (ii) an amount calculated as follows:
  - (a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
  - (b) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their outstanding principal amount,

together with, in either case, unless otherwise specified in the applicable Final Terms, an amount in respect of interest (if any) accrued on such Note from and including the immediately preceding Interest Payment Date or, if none, the Interest Commencement Date to and including the date of redemption; or

- (a) in the case of Credit-Linked Notes, as determined in the manner specified in the applicable Final Terms; or
- (b) in the case of Notes which are to be redeemed by Physical Settlement, in the manner specified in the applicable Final Terms; or
- (c) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (A) the Reference Price (as specified in the applicable Final Terms); and
  - (B) the product of the Accrual Yield (as specified in the applicable Final Terms) (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption, or such other amount as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made:

- (x) in the case of a Zero Coupon Note other than a Zero Coupon Note denominated in euro, on the basis of a 360-day year consisting of 12 months of 30 days each; or
- (y) in the case of a Zero Coupon Note denominated in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365); or
- (z) such other calculation basis as may be specified in the applicable Final Terms.

If the Notes become redeemable in accordance with Condition 7(b) (*Redemption in relation to the Charged Assets*), (c) (*Redemption for taxation reasons*) and (d) (*Redemption upon termination of the Charged Agreements*), above, upon payment of the Early Redemption

Amount in respect of each Note, the Issuer shall have discharged its obligations in respect of such Note and shall have no other liability or obligation whatsoever in respect thereof. The Early Redemption Amount may be less than the principal amount and accrued interest in respect of a Note.

*(h) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 7(h) or upon its becoming due and repayable as provided in Condition 11 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7(g) (*Early Redemption Amounts*) above as though the reference therein to the date fixed for the redemption was replaced by reference to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

*(i) Instalments*

Unless previously redeemed, purchased and cancelled, each Instalment Note will be redeemed at the Instalment Amount on each Instalment Date (both as specified in the applicable Final Terms) whereupon the outstanding aggregate principal amount of such Note shall be reduced for all purposes by the Instalment Amount.

On each such Instalment Date a proportionate part of the security constituted by the Trust Deed and/or any Charging Document shall be released by the Trustee against receipt of the Charged Assets by the Trustee or, as the case may be, the net proceeds of realisation thereof, failing receipt of which the Trustee may take such action as is provided in Condition 3(d) (*Realisation of Mortgaged Property upon redemption* under Condition 7 (*Redemption*), 9 (*Purchase*) or 11 (*Events of default*)).

In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7(g) (*Early Redemption Amounts*) above.

*(j) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 9 (*Purchase*) (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

## **8 Delivery Option**

*(a) Procedure by the Noteholders*

If any Note falls to be redeemed and Physical Settlement or the liquidity option under Condition 7(f)(ii) (*Liquidity Option*) is specified to apply in the applicable Final Terms, any delivery shall be in accordance with applicable securities laws. If the Notes are in definitive form, in order to obtain delivery of the Charged Assets and/or the Reference Obligations and/or such other assets as specified in the applicable Final Terms (the “**Asset Amount**”) or the Relevant Proportion (as defined below) thereof, as the case may be, the relevant Noteholder or, as the case may be, a duly authorised



representative of the relevant Noteholders must deliver to any Paying Agent, the Registrar (if applicable) or any Transfer Agent at least ten days or such other period as may be specified in the applicable Final Terms prior to the redemption date, the Note(s) (which expression shall, for the purposes of this Condition 8 (*Delivery Option*), include Receipt(s) and, if applicable, all unmatured Coupons, in accordance with the provisions of Condition 6 (*Payments*)), a duly completed Asset Transfer Notice substantially in the form set out in the Agency Agreement (the “**Asset Transfer Notice**”), a copy of which may be obtained from the specified office of any of the Paying Agents, the Registrar (if applicable) or the Transfer Agents. In the event that the Note(s) is/are represented by a Global Note, an Asset Transfer Notice must be delivered to the Issuer via Euroclear or Clearstream, Luxembourg as the case may be, by such method of delivery as Euroclear or Clearstream, Luxembourg as the case may be, shall have approved.

After delivery of an Asset Transfer Notice, no transfers of the Notes specified therein represented by a Global Note will be effected by Euroclear and/or Clearstream, Luxembourg and no transfers of Registered Notes specified therein will be effected by the Registrar.

(b) *Procedure by the Issuer and others*

Upon receipt of a duly completed Asset Transfer Notice and, in the case of Notes in definitive form, the Note(s) to which such notice relates, the relevant Paying Agent, Euroclear or Clearstream, Luxembourg or the Registrar, as the case may be, shall verify that the person specified therein as the accountholder(s) or registered holder(s), as the case may be, is/are the holder of the Notes referred to therein according to its books or the Register, as the case may be. Subject as provided herein, the Asset Amount or, in relation to each Note, the Relevant Proportion of the Asset Amount will be delivered at the risk of the relevant Noteholder(s) using the Delivery Method (as specified in the applicable Final Terms) on the due date for redemption of the Notes, provided that the relevant Note(s) in definitive form and the Asset Transfer Notice are delivered not later than the close of business in Luxembourg on the day (the “**Notice Cut-off Date**”) which is five Business Days before the due date for redemption of the Notes.

If the relevant Note(s) in definitive form and the Asset Transfer Notice are delivered to the Issuer later than close of business on the Notice Cut-off Date, then the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount will be delivered as soon as practicable after the due date for redemption of the Notes, at the risk of such Noteholder(s) in the manner provided above. For the avoidance of doubt, such Noteholder(s) shall not be entitled to any payment or other assets, whether of interest or otherwise, in the event of the delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount falling after the due date for redemption of the Notes pursuant to the provisions of this paragraph or otherwise due to circumstances beyond the control of the Issuer.

If the relevant Noteholder or, as the case may be, the duly authorised representative of the relevant Noteholders fails to deliver an Asset Transfer Notice in the manner set out herein or delivers an Asset Transfer Notice on any day falling after the day that is 180 calendar days after the Notice Cut-off Date or, in the case of Notes in definitive form, fails to deliver the Note(s) related thereto or fails to pay the expenses referred to in Condition 8(f) (*Costs and expenses*), the Issuer shall be discharged from its obligation in respect of such Note and shall have no further obligation or liability whatsoever in respect thereof.

(c) *Settlement Disruption*

If, prior to delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount, the Issuer determines that delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount is not practicable by reason of a Settlement Disruption Event (as defined in Condition 8(h) (*Definitions*) below) having occurred and continuing on the due date for delivery then that date shall be postponed to the first following Business Day in respect of which there is no such Settlement Disruption Event; provided, however, that, subject as provided below, in no event shall delivery be made later than the eighth Business Day after the originally scheduled date. If in respect of such eighth Business Day the delivery of the Asset Amount or, as the case may be, the Relevant Proportion of Asset Amount is not practicable by reason of a Settlement Disruption Event, then in lieu of Physical Settlement the Issuer may satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price specified in the applicable Final Terms on the third Business Day following such eighth Business Day notwithstanding any other provision hereof.

If the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount is delivered later than the originally scheduled due date for delivery, until delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount is made to the Noteholder, the Issuer or any person on behalf of the Issuer shall continue to be the legal owner of those assets. None of the Issuer, its affiliates and any such other person shall (i) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such assets, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such assets until the date of delivery or (iii) be under any liability to such Noteholder or any subsequent transferee in respect of any loss or damage which such Noteholder or subsequent transferee may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such assets until the date of delivery.

(d) *Asset Transfer Notice*

The Asset Transfer Notice is irrevocable and must:

- (i) specify the information requested under the Delivery Method specified in the applicable Final Terms;
- (ii) specify the number of Notes which are the subject of such notice;
- (iii) in the event such Notes are represented by a Global Note:
  - (A) specify the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg or any other relevant clearance system, as the case may be, to be debited with such Notes; and
  - (B) irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg or any other relevant clearance system, as the case may be, to debit the relevant Noteholder's account with such Notes on the due date for payment in respect of the redemption of the Notes;
- (iv) in the event such Notes are Registered Notes, irrevocably instruct and authorise the Registrar to effect the transfer of the relevant Notes;
- (v) authorise the production of such notice in any applicable administrative or legal proceedings; and

- (vi) authorise the Issuer to deduct from the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount to be delivered to such Noteholder the expenses referred to in Condition 8(f) (*Costs and expenses*) below.

Failure properly to complete and deliver an Asset Transfer Notice and, in the case of Notes in definitive form, to deliver the relevant Note may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholder.

(e) *Fractional Entitlement*

If the Relevant Proportion of the Asset Amount due to a Noteholder comprises less than a multiple of a whole number of the relevant assets at the relevant time, then (a) the Issuer shall not deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of an asset which is less than a whole number (the “**Fractional Entitlement**”) and (b) the Issuer shall pay to the relevant Noteholder a cash amount (to be paid at the same time as delivery of the Relevant Proportion of the Asset Amount) equal to the value (as determined by the Calculation Agent) of such fraction of the relevant asset.

(f) *Costs and expenses*

The costs and expenses of effecting any delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount (except for the expenses of delivery by uninsured regular mail (if any) which shall be borne by the Issuer, but including the payment of a sum sufficient to cover any transfer or other tax or other governmental charge that may be imposed in relation thereto) shall, in the absence of any provision to the contrary in the applicable Final Terms, be borne by the Noteholder(s) and shall, unless otherwise specified in the applicable Final Terms, at the option of each Noteholder or, as the case may be, the Noteholders acting together through their duly authorised representative either be:

- (A) paid to the Issuer by such Noteholder(s) prior to the delivery of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount (and, for the avoidance of doubt, the Issuer shall not be required to deliver any Asset Amount to such Noteholder(s) until it has received such payment); or
- (B) deducted by the Issuer from the redemption amount owing to such Noteholder(s), in accordance with Condition 8(f)(ii) below.

In addition, if all or some of the Notes are redeemed by Physical Settlement pursuant to Condition 7(f) (*Redemption at the option of the Noteholders*) or Condition 7(g) (*Redemption in relation to Credit-Linked Notes*), any deduction required to be made as a result of any costs and expenses incurred in realising the security (or the relevant proportion thereof) and/or, if applicable, any termination payment due from the Issuer in connection with the termination of the Charged Agreements (if any) (or part thereof), shall be deducted by the Issuer from the redemption amount owing to the Noteholders provided that, in the case of a redemption pursuant to Condition 7(f)(ii) (*Liquidity Option*), if so specified in the relevant Final Terms any termination payment due as aforesaid shall be paid by the Noteholders to or to the order of the Issuer, to the account specified in the Final Terms or as otherwise notified to the Noteholders in accordance with Condition 16 (*Notices*).

If there is not a cash amount owing to a Noteholder or the Noteholders sufficient to cover the Issuer’s costs, expenses and deductions referred to in this Condition 8(f) in respect of relevant Note(s) (the

“**Delivery Expenses**”), the Issuer may convert such amount of the Asset Amount or, as the case may be, the Relevant Proportion of the Asset Amount into cash sufficient to cover the Delivery Expenses in respect of such Note(s) from which the Issuer shall deduct such Delivery Expenses. The Notes or each Note will then be redeemed by delivery of the remaining Asset Amount in respect of such Note(s) and, if applicable, payment of a cash amount in respect of any Fractional Entitlement arising, together with any other amounts to which such Noteholder(s) is/are entitled upon redemption of such Note(s).

(g) *General*

The Issuer shall not be under any obligation to register or procure the registration of any Noteholder or any other person as the registered holder of any of the assets to be delivered in the register of members of any company whose shares form part of the Asset Amount. The Issuer shall not be obliged to account to any Noteholder for any entitlement received or receivable in respect of any of the assets to be delivered if the date on which such are first traded ex such entitlement is on or prior to the date of delivery. The Calculation Agent shall determine the date on which such assets are so first traded ex any such entitlement.

(h) *Definitions*

For the purposes of this Condition 8, “**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Relevant Proportion of the Asset Amount (and, if applicable, any payments in respect of the Note to which such delivery relates) in the manner specified as the Delivery Method in the applicable Final Terms and “**Relevant Proportion**” means the proportion which the principal amount of the Note or Notes the subject of an Asset Transfer Notice bears to the aggregate principal amount of all Notes outstanding (including those the subject of the Asset Transfer Notice) immediately prior to the date set for redemption.

## 9 Purchase

If so specified in the applicable Final Terms, the Issuer may, provided that no Event of Default has occurred and is continuing, purchase Notes (or any of them) at any time and from time to time in the open market or otherwise at any price, provided that the Issuer shall not purchase any definitive Bearer Note unless it purchases all unmatured Receipts and Coupons (if any) in respect of such definitive Bearer Note.

On any such purchase the Charged Agreements (and/or, as applicable, the transactions entered into thereunder) (or a proportionate part thereof which corresponds to the Notes to be purchased) will be terminated and the security over the Charged Assets securing the Notes to be purchased will be released against receipt by the Trustee or to the Trustee’s order of the net proceeds of the sale or, as the case may be, realisation of such Charged Assets for application by the Trustee in accordance with Condition 3(g) (*Application of proceeds*). In the case of purchase of some only of the Registered Notes represented by a definitive Registered Note certificate, the Registrar shall deliver, *mutatis mutandis* in accordance with Condition 1 (*Form, denomination, title, registration, transfer and exchange*), a Registered Note certificate for the unpurchased balance to the relevant Noteholder.

The Realisation Amount (after the termination payment (if any) is paid to the Swap Counterparty (if any) and/or Repo Counterparty (if any) or is received by the Issuer upon partial termination of the Swap Agreement and or Repurchase Agreement (if any)) may be less than the purchase price of the Notes.

If the applicable Final Terms does not indicate that the Issuer may purchase Notes, the Issuer may not purchase Notes.

All Notes purchased by the Issuer pursuant to this Condition 9 shall be cancelled in accordance with the provisions of Condition 7(j) (*Cancellation*).

## 10 Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 6(b) (*Presentation of definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 6(b) (*Presentation of definitive Bearer Notes, Receipts and Coupons*).

The Issuer shall be discharged from its obligation to pay principal on a Registered Note to the extent that a cheque which has been duly despatched remains uncashed at the end of the period of 10 years from the Relevant Date in respect of such payment. The Issuer shall be discharged from its obligation to pay interest on a Registered Note to the extent that a cheque which has been duly despatched remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

“**Relevant Date**” means the date on which payment of principal and interest first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee, the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 (*Notices*).

## 11 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders or by the Swap Counterparty (if any) or by the Repo Counterparty (if any) (provided that, in the case of Rated Notes only, the Swap Counterparty and/or the Repo Counterparty, as applicable, may only so direct the Trustee if the Swap Counterparty and/or the Repo Counterparty is not the Defaulting Party or sole Affected Party, as such terms are defined in the relevant Swap Agreement or Repurchase Agreement, as applicable), provided that the Trustee shall not act on the request or the directions of the Noteholders to the extent that such request or directions conflict with any directions of the Swap Counterparty (if any) or Repo Counterparty (if any) and in the case of Class Notes, subject to the restrictions contained in the Trust Deed to protect the interests of the holders of related Class Notes, shall (subject in any such case to being indemnified to its satisfaction) give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at the Early Redemption Amount together with, if applicable, interest accrued to the date of redemption, and the security constituted by the Trust Deed and/or the Charging Document (as the case may be) shall become enforceable (as provided in the Trust Deed and/or the Charging Document (as the case may be)) and the proceeds of realisation of such security shall be applied as specified in Condition 3(g) (*Application of proceeds*) if any of the following events shall occur and be continuing (each an “**Event of Default**”):

- (a) if default is made for a period of 14 days or more in the payment of any sum due in respect of the Notes, the Receipt or the Coupons or any of them; or
- (b) if the Issuer, the Issuer Credit Enhancer or Credit Support Provider as the case may be, fails to perform or observe any of its other obligations under the Notes or the Trust Deed and/or the Charging

Document (as the case may be) (the breach of which obligation the Trustee shall have certified to be in its opinion materially prejudicial to the interests of the Noteholders) and such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

- (c) if any applicable bankruptcy, insolvency, liquidation, moratorium or reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement or composition with creditors (*concordat préventif de faillite*), reorganisation or similar laws affecting the rights of creditors generally is applied with respect to the Issuer, the Issuer Credit Enhancer or Credit Support Provider, as the case may be, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements on terms approved in advance by the Trustee; or
- (d) if the Notes are Class Notes (in this sub-paragraph, the “**Affected Notes**”), notice has been given to the Issuer declaring any related Class Notes which rank senior to the Affected Notes to be due and repayable pursuant to the Terms and Conditions thereof and the security therefor to be enforceable; or
- (e) if any corporate action is taken by the Issuer, the Issuer Credit Enhancer or Credit Support Provider (or the shareholders of the Issuer, the Issuer Credit Enhancer or Credit Support Provider), or any legal proceedings (including presentation of a petition or filing of documents with the court for administration) (other than proceedings for insolvency, winding-up or dissolution which are being contested in good faith and are discharged within 21 days) are started, for the insolvency, winding-up, dissolution, administration or appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of the Issuer, the Issuer Credit Enhancer or Credit Support Provider or of any or all of the Issuer’s the Issuer Credit Enhancer’s or Credit Support Provider’s revenues and assets or formal notice is given of an intention to appoint an administrator or any application is made or petition lodged or documents are filed with the court for administration in relation to the Issuer, the Issuer Credit Enhancer or Credit Support Provider, or if an examiner is appointed in respect of the Issuer.

## 12 Enforcement

At any time after the Notes or any of them shall have become due and repayable and have not been repaid, the Trustee may, at its discretion and without notice, institute such proceedings against the Issuer and/or the Issuer Credit Enhancer (if any) as it may think fit to enforce repayment thereof together with accrued interest (if any) and to enforce the provisions of the Notes, the Trust Deed and/or the Charging Document (as the case may be), but it shall not be bound to institute any such proceedings unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding (in which event it shall be obliged so to act, subject as provided in Condition 11 (*Events of Default*) and subject in the case of Class Notes to restrictions contained in the Trust Deed to protect the interests of the holders of related Class Notes, and subject as provided below, irrespective of the effect thereof on the interests of the Swap Counterparty (if any) or the Repo Counterparty (if any) or on the directions of the Swap Counterparty (if any) or the Repo Counterparty (if any) (in which event it shall be obliged so to act, subject as provided in Condition 11 (*Events of Default*) and subject as provided below, irrespective of the effect thereof on the interests of the Noteholders); and
- (b) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed against the Issuer and/or the Issuer Credit Enhancer (if any) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable time and such failure is continuing. Except as aforesaid, only the Trustee may enforce the rights of the Noteholders, the Receiptholders, the Couponholders, the Swap Counterparty (if any), the Repo Counterparty (if any), the Registrar (if any), the Agent Bank (if any), any Transfer Agent, the Calculation Agent (if any), the Redemption Agent (if any), the Custodian (if any) or any Paying Agent.

After realising the security which has become enforceable and distributing the net proceeds in accordance with Condition 3 (Security), the obligations of the Issuer with respect to the Trustee, the Swap Counterparty (if any), the Repo Counterparty (if any), the Registrar (if any), any Paying Agent, the Custodian (if any), the Agent Bank (if any), any Transfer Agent, the Calculation Agent (if any), the Redemption Agent (if any), the Issuer Credit Enhancer (if any), the Determination Agent (if any) and any Noteholder, Receiptholder or Couponholder in respect of the Notes, any Charged Agreement, the Agency Agreement and the Custodial Services Agreement shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. Claims against the Issuer Credit Enhancer (if any) will not be subject to any such limitation as aforesaid.

In particular, none of the Trustee, the Swap Counterparty (if any), the Repo Counterparty (if any), the Registrar (if any), any Paying Agent, the Custodian (if any), the Agent Bank (if any), any Transfer Agent, any Calculation Agent, any Redemption Agent, the Issuer Credit Enhancer (if any), or any Noteholder, Receiptholder or Couponholder shall be entitled in respect thereof to petition or to take any other steps for the insolvency, winding-up or dissolution of the Issuer or the appointment of an examiner in respect of Aquarius + Investments plc, Aquarius Capital Investments plc, Aries Capital Limited or any other company which accedes to the Programme as an issuer incorporated in Ireland nor shall any of them have any claim in respect of the Note for any other Series or any other Tranche unless so provided in the Final Terms relating to any such other Series or Tranche. Claims against the Issuer Credit Enhancer (if any) will not be subject to any such limitation as aforesaid.

Unless otherwise specified in the applicable Final Terms, if the Notes constitute Class Notes which rank behind other Class Notes then, notwithstanding the foregoing paragraph, none of the Trustee, the Noteholders, the Receiptholders (if any), the Couponholders (if any), the Swap Counterparty (if any), the Repo Counterparty (if any), the Registrar (if any), the Agent Bank (if any), any Transfer Agent, the Calculation Agent (if any), the Redemption Agent (if any), the Issuer Credit Enhancer (if any), the Custodian (if any) or any Paying Agent shall be entitled to take any steps against the Issuer to recover any sums in respect of the obligations of the Issuer owing to such party (including petitioning or taking any other steps for the insolvency, winding-up or dissolution of the Issuer, or the appointment of an examiner in respect of the Issuer) unless and until the Issuer's obligations in respect of the Trustee, the Noteholders, the Receiptholders, the Couponholders (if any), the Swap Counterparty (if any), the Repo Counterparty (if any), the Registrar (if any), the Agent Bank (if any), any Transfer Agent, the Calculation Agent (if any), the Redemption Agent (if any), the Custodian (if any), the Issuer Credit Enhancer (if any), or any paying agent in respect of the related Class Notes shall have been paid in full.

### **13 Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may, subject to applicable laws and regulations, be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) or the Registrar (in the case of Registered Notes) and, so long as any Notes are listed on Official List of the Luxembourg Stock Exchange, a Paying Agent (which may be the Principal Paying Agent) in the Grand Duchy of Luxembourg upon payment by the claimant of such costs

and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 14 Agents

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that, so long as any of the Notes is outstanding, the termination of the appointment of any Agent (whether by the Issuer or by the resignation of such Agent) shall not be effective unless upon the expiry of the relevant notice there is:

- (a) a Principal Paying Agent;
- (b) a Registrar with a specified office in a city in continental Europe (in the case of Registered Notes);
- (c) a Transfer Agent (in the case of Registered Notes) which, so long as any Registered Notes are listed on the Official List of the Luxembourg Stock Exchange, shall be in the Grand Duchy of Luxembourg;
- (d) so long as any Notes are listed on a Stock Exchange, a Paying Agent (which may be the Principal Paying Agent) or a Registrar, as the case may be, having a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange which, so long as any Notes are listed on the Official List of the Luxembourg Stock Exchange, shall be a Paying Agent in the Grand Duchy of Luxembourg;
- (e) a Custodian (if applicable);
- (f) a Redemption Agent (if specified in the Final Terms);
- (g) an Agent Bank (if specified in the Final Terms);
- (h) a Calculation Agent (if specified in the Final Terms); and
- (i) a Determination Agent (if specified in the Final Terms).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e) (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

In addition, the Issuer shall maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting on 26 - 27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive. As long as any Notes are listed on the Official List of the Luxembourg Stock Exchange the Issuer will maintain a Paying Agent in Luxembourg.

In acting under the Agency Agreement and except as otherwise provided in the Trust Deed, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.



## **15 Exchange of Talons**

On and after the Interest Payment Date or Instalment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

## **16 Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published, if and for so long as the relevant Notes are listed on the Official List of the Luxembourg Stock Exchange, in a daily newspaper of general circulation in the Grand Duchy of Luxembourg (which is currently expected to be the *Luxemburger Wort* or the *Tageblatt* in the Grand Duchy of Luxembourg) or notices shall be made available on the website of the Luxembourg Stock Exchange (“www.bourse.lu”). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the relevant Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any relevant Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any accountholder to the Principal Paying Agent or the Registrar through Euroclear and Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **17 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 Terms and Conditions or other provisions of the Trust Deed or the Charging Document (if any), subject in the case of Class Notes, to restrictions contained in the Trust Deed to protect the interests of holders of related Class Notes. The quorum

at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing in the aggregate not less than 75 per cent. 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. 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, if applicable, on all Couponholders and Receiptholders.

Where there are Class Notes, an Extraordinary Resolution passed at any meeting of the holders of the most senior ranking Class of Notes shall be binding on all holders of Notes ranking junior to the Notes of such Class irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of any Notes, altering the currency of payment of any Notes, or as the case may be, the Coupons relating thereto or altering the quorum or majority required in relation to this exception shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the holders of each Class of Notes ranking junior to such Class or it shall not, in the opinion of the Trustee, be materially prejudicial to the interests of all such Noteholders.

An Extraordinary Resolution passed at any meeting of holders of any Class of Notes ranking junior to one or more senior ranking Class of Notes shall not be effective for any purpose while any of the more senior ranking Class or Classes of Notes remains outstanding unless either:

- (a) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Noteholders of each of the more senior ranking Class of Notes; or
- (b) it is sanctioned by an Extraordinary Resolution of the Noteholders of each of the more senior ranking Class of Notes.

The Trustee may agree, without the consent of the Noteholders (but subject, if the Notes are Rated Notes, to prior notification by the Issuer to any relevant Rating Agency and if such Rating Agency is Standard & Poor's and/or Moody's, written confirmation from Standard & Poor's and/or Moody's as to there being no adverse change to the credit rating granted by each relevant Rating Agency), to (i) any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any provision of the Trust Deed or the Charging Document (if any) or, in the case of modification, the Agency Agreement or the Charged Agreements or the Credit Support Document (if any) which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders (and the holders of any related Class Notes, in the case of Class Notes), provided however that no such modification shall be effective without the consent of the Swap Counterparty (if any) and the Repo Counterparty (if any) (such consent not to be unreasonably withheld or delayed), or (ii) any modification to any of the same which is of a formal, minor or technical nature or to correct a manifest error.

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders (and the holders of any related Class Notes in the case of Class Notes), may agree, without the further consent of the Noteholders or, if applicable, the Receiptholders and the Couponholders (such Noteholders, Receiptholders and Couponholders as aforesaid being deemed to have given such consent by their purchase of the Notes and if applicable the Receipts and the Coupons) but subject to prior notification to any relevant Rating Agency as aforesaid and if such Rating Agency is Standard & Poor's and/or Moody's, written confirmation from Standard & Poor's and/or Moody's as to there being no adverse change to the credit rating granted by each relevant Rating Agency), to the substitution of any other company in place of the Issuer as principal debtor under the Trust Deed, the Notes and if applicable the Receipts and the Coupons. No such substitution shall be effective without the consent of the Swap

Counterparty (if any), the Repo Counterparty (if any), the Swap Guarantor (if any) and/or, as applicable, the Credit Support Provider (if any) (such consent not to be unreasonably withheld or delayed). Under the Trust Deed, the Issuer has covenanted that it may use reasonable endeavours to procure the substitution as principal debtor of a company incorporated in some other jurisdiction than that of the Issuer in the event of the Issuer becoming subject to any greater tax on its income than that at the Issue Date or any tax on payments in respect of the Notes.

In connection with any exercise of its trusts, powers, authorities or discretions, the Trustee shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, no person shall be entitled to claim, whether from the Issuer, any substitute Issuer, the Swap Counterparty (if any), the Repo Counterparty (if any), the Swap Guarantor (if any), the Credit Support Provider (if any), the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon any person.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders, Receiptholders and, if applicable, all Couponholders and any such modification or substitution shall be notified to the Noteholders by the Issuer in accordance with Condition 16 (*Notices*) as soon as practicable thereafter unless, in the case of a modification, the Trustee agrees otherwise.

The Trust Deed contains provisions limiting the powers of the holders of any Class Notes (in this paragraph, the “**Affected Notes**”), *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of any related Class Notes which rank senior to the Affected Notes. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the holders of any Affected Notes in respect of the holders of Class Notes which rank behind the Affected Notes, and any such action or Extraordinary Resolution will be binding on the holders of any such Class Notes, irrespective of the effect thereof on their interests.

## **18 Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Noteholders, the Receiptholders, the Couponholders, the Swap Guarantor (if any), the Issuer Credit Enhancer (if any), the Credit Support Provider (if any) or (except in the case of (i) below) the Swap Counterparty (if any) or the Repo Counterparty (if any) to create and issue further bonds, notes or other securities either (i) so as to be consolidated and form a single Series with the existing Notes or, in the case of Class Notes, any Class thereof or (ii) upon such terms as to security, interest, premium, redemption and otherwise as the Issuer may, in its absolute discretion, at the time of the issue thereof determine; provided that (a) in the case of (i) above (x) prior notification is made by the Issuer to any relevant Rating Agency and if such relevant Rating Agency is Standard & Poor’s and/or Moody’s, written confirmation is received from Standard & Poor’s and/or Moody’s that there will be no adverse change to the credit rating of the Notes granted by each relevant Rating Agency with which the new Notes are to form a single Class or Series and (y) the value of the Mortgaged Property relating to the relevant Class or, in the case of any Series comprising more than one Class, Series is correspondingly increased, and (b) in the case of (ii) such bonds, notes or other securities are secured on assets of the Issuer other than those referred to in Condition 3 (*Security*) relating to any existing Notes and on terms in substantially the form of these Terms and Conditions which provide for the extinguishment of all claims in respect of such further bonds, notes or other securities after application of the proceeds of the assets upon which such further securities are secured. Any such bonds, notes or other securities shall be constituted in accordance with the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bonds, notes or other securities of other Classes in certain circumstances where the Trustee so decides.

## 19 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 proceedings unless indemnified to its satisfaction. The Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Mortgaged Property, from any obligation to insure all or any part of the Mortgaged Property (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), to procure the same to be insured or to monitor the adequacy of any insurance arrangements in respect of the Mortgaged Property and from any claim arising if all or any part of the Mortgaged Property (or any such document aforesaid) are held in an account with Euroclear or Clearstream, Luxembourg or any other clearing system in accordance with that system's rules or otherwise held in safe custody by the Custodian or a bank or other custodian whether or not selected by the Trustee.

## 20 Trustee contracting with Issuer and other Parties

The Trust Deed contains provisions pursuant to which the Trustee or any of its subsidiary or associated companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or the Issuer Credit Enhancer and/or the Swap Counterparty (if any) and/or the Repo Counterparty (if any) and/or the Swap Guarantor (if any) and/or the Credit Support Provider (if any) and/or any obligor in respect of the Mortgaged Property and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or the Issuer Credit Enhancer and/or the Swap Counterparty (if any) and/or the Repo Counterparty (if any) and/or the Swap Guarantor (if any) and/or the Credit Support Provider (if any) and/or any obligor in respect of the Mortgaged Property and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations, and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeships without regard to the interests of the Noteholders or the Swap Counterparty (if any) or the Repo Counterparty (if any) and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## 21 Governing Law and Submission to Jurisdiction

### (a) *Governing law*

The Trust Deed, the Agency Agreement, the Custodial Services Agreement, the Notes, the Receipts and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law. The Charging Document (if any), the Charged Assets, the Credit Support Document(s) and the Charged Agreement(s) are governed by, and will be construed in accordance with, such law as is specified in the applicable Final Terms.

### (b) *Submission to jurisdiction*

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any

such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition 21 shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer appoints BNP Paribas, London Branch as its agent for service of process, and undertakes that, in the event of such person ceasing so to act or ceasing to be domiciled in England, it will appoint another person domiciled in England as its agent for service of process in England in respect of any Proceedings.

Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer to purchase the Charged Assets and to pay expenses and any applicable fees in connection with the administration of the relevant Issuer.

## AQUARIUS + INVESTMENTS PLC

*Terms defined in this section shall supersede for the purposes of this section any other definitions of such terms set out elsewhere in this Prospectus.*

### General

Aquarius + Investments plc (being the legal and commercial name) was incorporated in Ireland under the Irish Companies Acts, 1963-2001 under the name Toucan Investments Limited as a private limited liability company with unlimited duration on 26 November 2001 with registered number 350538 and under the name Toucan Investments Limited.

On 12 June 2003 the company was reregistered as a public limited company with the name Toucan Investments plc. On 1 April 2004 a subsequent name change to its current name, Aquarius + Investments plc was registered. Aquarius + Investments plc has been established as a special purpose vehicle. The principal activities of the Issuer are the issuance of financial instruments, the acquisition of financial assets and the entering into of other legally binding arrangements.

The registered office of Aquarius + Investments plc is at 4 Floor, 25-28 Adelaide Road, Dublin 2, Ireland (telephone number: +353 1 605 3000). The authorised share capital of Aquarius + Investments plc is €100,000,000 divided into 100,000,000 Ordinary Shares of €1 each (the “**Shares**”). Aquarius + Investments plc has issued 40,000 Shares all of which are fully paid. The issued Shares are held equally by Eurydice Charitable Trust Limited, Medb Charitable Trust Limited and Badb Charitable Trust Limited in each case of 70 Sir John Rogerson’s Quay, Dublin 2, Ireland (in this section, each a “**Share Trustee**”, and together, the “**Share Trustees**”) and four nominees who hold one Share each on behalf of the Share Trustees. The Share Trustees are charitable trusts incorporated under the laws of Ireland as companies limited by guarantee. The Share Trustees will share equally in any profits derived from Aquarius + Investments plc and apply any income derived by them from Aquarius + Investments plc solely for charitable purposes. Declarations of Trust are in place, together with the terms of the articles of association of the Share Trustees, to ensure that control of Aquarius + Investments plc by the Share Trustees is not abused.

### Directors

The Directors of Aquarius + Investments plc are as follows:

<b>Name:</b>	<b>Business Address:</b>	<b>Principal Outside Activities:</b>
Adrian Masterson	4 Floor, 25-28 Adelaide Road, Dublin 2, Ireland	Company Director
Stephen Hodgins	6 Upper Prince Edward Terrace Blackrock, co. Dublin	Company Director

### Corporate Services Provider

Marsh Management Services (Dublin) Limited has agreed to act as the corporate services provider (the “**Corporate Services Provider**”) to Aquarius + Investments plc under an agreement for the provision of corporate services (the “**Corporate Services Agreement**”) dated 10 June 2002. The office of the Corporate Services Provider serves as the general business office of Aquarius + Investments plc. Through this office and pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider will perform various management functions on behalf of Aquarius + Investments plc, including communications with the general public and the provision of certain clerical, administrative and other services until termination of the

Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider will receive various fees and other charges payable by Aquarius + Investments plc at rates provided for in the Corporate Services Agreement plus expenses. The Corporate Services Provider will be subject to the overview of the Board of Directors of Aquarius + Investments plc.



## TAXATION

*This summary is of a general nature and is included herein solely for information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their own tax advisers with respect to their particular circumstances and the effects of state, local or foreign laws, including Luxembourg tax law and Irish tax law to which they may be subject.*

### EU Savings Directive

On 3 June 2003, the European Union adopted the European Council Directive 2003/48/EC regarding the taxation of savings income (the “**EU Savings Directive**”). Member States are required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income (or for certain payments secured for their benefit) paid by a paying agent (within the meaning of the EU Savings Directive) to (or under certain circumstances, to the benefit of) an individual or certain non-corporate entities in another Member State, except that Austria and Luxembourg have opted out of the report requirements and impose instead a withholding system for a transitional period unless the beneficiary of the interest payments elects for the exchange of information. The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent. The ending of such transitional period depends on the conclusion of certain other agreements relating to information exchange with certain other countries. Grand Duchy of Luxembourg Taxation.

Also with effect from 1 July 2005, a number of non-EU countries and certain dependent or associated territories of Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income payments made by a person in that jurisdiction for the immediate benefit of an individual or to certain non-corporate entities in any Member State. The Member States have entered into reciprocal provision of information or transitional special withholding tax arrangements with certain of those dependent or associated territories. These apply in the same way to payments by persons in any Member State to individuals or certain non-corporate residents of those territories.

### Irish Taxation

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons such as dealers in securities.

The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Prospectus, which are subject to prospective or retroactive change. Prospective investors in the Notes should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Notes including, in particular, the effect of any state or local tax laws.

### Income Tax

In general, persons who are resident in Ireland are liable to Irish taxation on their worldwide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

A Note issued by an Irish Issuer may be regarded as property situate in Ireland (and hence Irish source income) on the grounds that a bearer security is deemed to be situate where it is physically located or that a

debt is deemed to be situate where the debtor resides. However, the interest earned on such Notes is exempt from income tax if paid to a person who for the purposes of Section 198 of the Taxes Consolidation Act 1997 (“TCA 1997”) is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty that has the force of law or, on completion of the necessary procedures, will have the force of law and such double tax treaty contains an article dealing with interest or income from debt claims. A list of countries with which Ireland has entered into a double tax treaty is available on [www.revenue.ie](http://www.revenue.ie).

Relief from Irish income tax may also be available under other exemptions contained in Irish tax legislation or under the specific provisions of a double tax treaty between Ireland and the country of residence of the holder of the Notes.

If the above exemption does not apply it is understood that there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practice will continue to apply.

### **Withholding Taxes**

In general, withholding tax (currently at the rate of 20 per cent.) must be deducted from interest payments made by an Irish company such as the Issuer. However, Section 246 TCA 1997 (“**Section 246**”) provides that this general obligation to withhold tax does not apply in respect of, *inter alia*, interest payments made by an Irish Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for details). This exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 (“**Section 64**”) provides for the payment of interest on a “quoted Eurobond” without deduction of tax in certain circumstances. A quoted Eurobond is defined in Section 64 as a security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is established); and
- (c) carries a right to interest.

There is no obligation imposed on an Irish Issuer to withhold tax on payments of interest on quoted Eurobonds where:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland; and

- (i) the quoted Eurobond is held in a recognised clearing system (Euroclear, Clearstream Banking AG and Clearstream Banking SA have been designated as recognised clearing systems); or
- (ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently 20 per cent.) from interest on any quoted Eurobond, where such interest is collected by a person in Ireland on behalf of any holder of Notes.

### **Capital Gains Tax**

A holder of Notes issued by an Irish Issuer will not be subject to Irish taxes on capital gains provided that such holder of Notes is neither resident nor ordinarily resident in Ireland and such holder of Notes does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Notes are attributable.

### **Capital Acquisitions Tax**

If the Notes are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponer or if the donee/successor is resident or ordinarily resident in Ireland, or if any of the Notes are regarded as property situate in Ireland, the donee/successor may be liable to Irish capital acquisitions tax. As a result, a donee/successor may be liable to Irish capital acquisitions tax, even though neither the disponer nor the donee/successor may be domiciled, resident or ordinarily resident in Ireland at the relevant time.

### **Stamp Duty**

For as long as any Irish Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of Notes issued by that Irish Issuer, provided that the money raised by the issue of such Notes is used in the course of such Issuer's business.

## **Swiss Taxation**

### **General**

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons.

The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Prospectus, which are subject to prospective or retroactive change, and a tax ruling with the Swiss federal tax administration. The summary does not constitute tax or legal advice and the comments below are of a general nature only.

Prospective investors in the Notes should consult their own advisors as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Notes.

### **Withholding Tax**

Interest, principal and other payments on the Notes will not be subject to Swiss Federal Withholding Tax (*Verrechnungssteuer*).

On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to withhold Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland. If this legislation or similar legislation

were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor any paying agent nor any other person would pursuant to the Conditions be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

### **Stamp Taxes**

The issue and the redemption of the Notes will not be subject to Swiss federal stamp duty on the issue of securities or Swiss federal stamp duty on the dealing in securities (primary market). Secondary market dealings in the Notes where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on the dealing in securities at a rate of up to 0.3 per cent. of the consideration paid for the Notes. Where both the seller and the purchaser of the Notes are not resident in Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on the dealing in securities is payable.

### **Income Taxation on Principal or Interest**

#### *Notes held by Non-Swiss holders*

Payments by the Issuer of interest on, and repayment of principal of, the Notes, to, and gain realized on the sale or redemption of Notes by, a holder of Notes, who is not a resident of Switzerland, and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable, will not be liable for any Swiss federal, cantonal or communal income tax.

#### *Notes held as Private Assets by Swiss Resident Holders*

An individual who resides in Switzerland and holds a Note as a private asset is required to include all payments of interest received on the Note in his or her personal income tax return for the relevant tax period and will be taxable on any net taxable income (including the payment of interest on the Note) for such tax period at the then prevailing tax rates. Capital gains realized by such a holder on the sale or other disposition of a Note will be a tax-free capital gain, including in respect of interest accrued and currency; conversely, a capital loss is not tax-deductible. See “—Notes held as Swiss business assets” below for a summary on the tax treatment of individuals classified as “professional securities dealers.”

#### *Notes held as Swiss Business Assets*

Individuals who hold Notes as part of a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognize payments of interest and any capital gain or loss, as applicable, realized on the sale or other disposal of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period at the prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as “professional securities dealers” for reasons of, inter alia, frequent dealings, or leveraged transactions, in securities.

### **European Directive on the Taxation of Savings Income**

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland has adopted measures equivalent to those of the European Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments.

Any Swiss paying agent will have to withhold tax at a rate of 35% on interest payments made in respect of a Note to a beneficial owner who is an individual and resident of an EU member state, with the option of the

individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding.

**Final Foreign Withholding Taxes (*internationale Quellensteuer* )**

On 1 January 2013, treaties on final withholding taxes of Switzerland with the United Kingdom and Austria entered into force (each a **Contracting State**). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*internationale Quellensteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items, all as defined in the treaties) deriving from assets held in accounts or deposits with a Swiss paying agent, including Notes, by: (i) an individual being tax resident of a Contracting State; or (ii) if certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident of a Contracting State. According to the treaties, the flat-rate tax to be withheld substitutes the ordinary income tax on the respective capital gains and income items in the Contracting State where the individual is tax resident. In order to avoid such flat-rate tax to be withheld by the Swiss paying agent, individuals who so hold Notes may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries, and negotiations are currently being conducted with Greece and Italy.

## **BOOK-ENTRY CLEARANCE PROCEDURES**

*The information set out below has been obtained from sources which the Issuer believes to be reliable, but prospective investors should make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Trustee, the Arranger or any Agent which is a party to the Agency Agreement (or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act), will have any responsibility for the performance by the Clearing Systems or their respective Participants (as defined below) or accountholders of their respective obligations under the rules procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

### **Book-Entry Ownership**

The Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of the Notes. In respect of the Notes, a Permanent Global Note in bearer form without coupons may be deposited with a common depositary for Clearstream, Luxembourg and/or Euroclear as agreed between the Issuer and Dealer. Transfers of interests in such Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear. Each Permanent Global Note deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

## SUBSCRIPTION AND SALE

The Dealers have, in an Amended and Restated Programme Agreement dated 21 April 2008 (as supplemented, amended and/or restated from time to time, the “**Programme Agreement**”) agreed a basis upon which they or any of them may from time to time agree to purchase or, as the case may be, to solicit offers to purchase Notes. Any such agreement will extend to those matters stated under the sections entitled “Form of the Notes”, “General Description of the Programme and Business of the Issuer” and “Terms and Conditions of the Notes” above. In the Programme Agreement, the Arranger has agreed to reimburse the Issuers for certain of their expenses (if any) in connection with the establishment of the Programme and the issue of Notes by the Issuers under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase or to solicit offers to purchase (as the case may be) Notes under the Programme Agreement in certain circumstances prior to the Issue Date of such Notes. The Issuer also may issue Notes to any Dealer as principal, either at a discount from their principal amount to be agreed upon at the time of issue or at 100 per cent. of their principal amount, for resale to one or more investors and other purchases at varying prices, to be determined by such Dealer at the time of resale, which may be greater or less than the issue price for such Notes paid by such Dealer. In certain transactions, the issue price may include an amount related to a swap entered into by the Issuer and an affiliate of such Dealer.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented that it has not offered or sold, and agreed that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) and the regulations expected to be promulgated under Section 4701(b)(1)(B) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) to set out the criteria for “foreign targeted obligations” that are exempt from the excise tax under Section 4701(b)(1)(B) of the Code, Notes must be issued and delivered outside the United States and its possessions in connection with their original issue. Each Manager has represented that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with their original issue. Further, in connection with the original issue of Notes, each Manager has represented that it has not communicated, and agrees that it will not communicate, directly or indirectly, with a prospective purchaser if either of such Manager or such purchaser is within the United States or its possessions or otherwise involve such Manager’s U.S. office in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules and Notice 2012-20.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Ireland**

Each Manager has represented, warranted and agreed that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite any Notes, or do anything in Ireland in respect of any Notes, otherwise than in conformity with the provisions of:

- (a) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended by the Prospectus (Directive 2003/71/EC) (Amendment) Regulations 2012) / the Prospectus Regulations and any rules issued by the Central Bank of Ireland under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (as amended) (the “**2005 Act**”);
- (b) the Companies Acts 1963 to 2012;
- (c) the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland; and
- (d) the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Central Bank of Ireland under Section 34 of the 2005 Act.

### **Switzerland**

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd or any other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

Neither the Issuer nor any Manager makes any representation that any action will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager will comply to the best of its knowledge and belief in all material



respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Manager in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the other Managers will have no responsibility for, and each Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Manager is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in, or which is consistent with, the Prospectus (in final form) or any amendment or supplement to it.

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