

OFFERING MEMORANDUM DATED 30 JULY 2025



Chesnara plc

(incorporated under the laws of England and Wales with company number 04947166)

**£150,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent
Convertible Notes
Issue Price: 100 per cent.**

The issue of £150,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**") was (save in respect of any further Notes issued pursuant to Condition 17) authorised by a resolution of the board of directors of Chesnara plc ("**Chesnara**" or the "**Issuer**") passed on 27 July 2025. The Notes will be issued by the Issuer on 1 August 2025 (the "**Issue Date**"). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer. The terms and conditions of the Notes are set out more fully in "*Terms and Conditions of the Notes*" (the "**Conditions**"), and references herein to a particularly numbered "Condition" should be read accordingly). Defined terms used below and not otherwise defined have the meaning given to them in the Conditions.

The Notes will bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) 1 February 2031 (the "**First Reset Date**") at a fixed rate of 8.500 per cent. per annum and thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each, a "**Reset Date**"). Interest will be payable on the Notes semi-annually in arrear on 1 February and 1 August (each, an "**Interest Payment Date**") in each year commencing on 1 February 2026, subject to cancellation as provided below and as further described in the Conditions.

The Issuer may at any time elect to cancel (in whole or in part) any payment of interest otherwise scheduled to be paid on an Interest Payment Date and shall, save as otherwise permitted pursuant to the Conditions, cancel in full an interest payment upon the occurrence of a Mandatory Interest Cancellation Event with respect to that interest payment. Any interest accrued in respect of an Interest Payment Date which falls on or after the date on which the Trigger Event occurs shall also be cancelled. The cancellation of any interest payment shall not constitute a default for any purpose on the part of the Issuer. Any interest payment (or part thereof) which is cancelled in accordance with the Conditions shall not become due and payable in any circumstances. Subject as provided in the Conditions, all payments in respect of or arising from the Notes will be conditional upon the Issuer being solvent (as defined in Condition 3(d)) at the time of payment and immediately thereafter.

Payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, taxes of the United Kingdom (the "**UK**"), unless that withholding or deduction is required by law. In the event that any such withholding or deduction is made in respect of payments of interest (but not in respect of any payments of principal or other amounts), additional amounts may be payable by the Issuer, subject to certain exceptions, as more fully described in the Conditions.

The Notes will be perpetual securities with no fixed redemption date and holders of the Notes ("**Noteholders**") will have no right to require the Issuer to redeem or purchase the Notes at any time. Subject as set out in the Conditions, the Issuer may in its sole discretion elect to redeem all (but not some only) of the Notes at their principal amount together with (to the extent not cancelled in accordance with the Conditions) accrued and unpaid interest to (but excluding) the date of redemption (a) on any day falling in the period commencing on (and including) 1 August 2030 and ending on (and including) the First Reset Date, or on any day falling in the six-month period ending on (and including) any subsequent Reset Date, or (b) upon the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event, or if 75 per cent. or more of the Notes originally issued shall have been purchased and cancelled. Any redemption or purchase of Notes by the Issuer is subject to redemption and purchase conditions set out in the Conditions, and will be subject to suspension or cancellation in certain circumstances set out in Condition 8.

If a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event occurs, the Issuer may, subject to compliance with certain conditions, elect to substitute the Notes for, or vary the terms of the Notes so that they remain or (as the case may be) become, Qualifying Securities or Rating Agency Compliant Securities (as applicable), all as further set out in Condition 8.

UPON THE OCCURRENCE OF A TRIGGER EVENT THE ISSUER'S OBLIGATIONS IN RELATION TO EACH NOTE WILL (UNLESS THE UK PRUDENTIAL REGULATION AUTHORITY ("PRA") WAIVES AUTOMATIC CONVERSION IN RESPECT OF SUCH TRIGGER EVENT) BE PERMANENTLY AND AUTOMATICALLY RELEASED AND CONVERSION SHARES WILL BE ISSUED.

The Conditions contain provisions which enable a new principal debtor (including, without limitation, a successor in business to the Issuer, or a new Insurance Group Parent Entity) to be substituted in place of the Issuer under the Notes, subject to satisfaction of certain conditions but without the consent of the Noteholders.

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the Official List (the "**Official List**") of Euronext Dublin and to trading on the Global Exchange Market ("**GEM**") of Euronext Dublin. This Offering Memorandum constitutes "Listing Particulars" for the purposes of the admission of the Notes to the Official List of Euronext Dublin and to trading on the GEM of Euronext Dublin and, for such purposes, does not constitute, and has not been approved, as a prospectus for the purposes of the Prospectus Regulation or the UK Prospectus Regulation. When used in this Offering Memorandum, "**Prospectus Regulation**" means Regulation (EU) 2017/1129 and "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**").

This Offering Memorandum has been approved by Euronext Dublin. GEM is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**") or Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA ("**UK MiFIR**"). This Offering Memorandum is available for viewing on the website of Euronext Dublin. References in this Offering Memorandum to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on GEM and have been admitted to the Official List of Euronext Dublin.

Chesnara has been assigned a long term issuer default rating of A- by Fitch Ratings Limited ("**Fitch**"). The Notes are expected to be assigned a rating of BBB- by Fitch. Fitch is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of UK domestic law (the "**UK CRA Regulation**"). Fitch is not established in the European Union (the "**EU**") and has not applied for registration under Regulation (EU) No. 1060/2009 (the "**EU CRA Regulation**") but the rating it has given to the Notes is endorsed by Fitch Ratings Ireland Limited which is established in the EU and registered under the EU CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued in registered form in principal amounts of £200,000 and integral multiples of £1,000 in excess thereof. The Notes will initially be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee for a common depository (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Individual certificates ("**Certificates**") evidencing holdings of Notes will be available only in certain limited circumstances described under "*Summary of Provisions relating to the Notes whilst in Global Form*".

MiFID II/UK MiFIR professionals and ECPs-only/No UK/EU PRIIPs KID/FCA CoCo Restriction - the Notes are not intended to be, and must not be, offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK or to any retail investors in the UK or the European Economic Area (the "**EEA**"). No key information document (KID) required by Regulation (EU) 1286/2014 or that Regulation as it forms part of UK domestic law has been or will be prepared in respect of the Notes, as the Notes are not available to retail investors in the EEA or the UK. Prospective investors are referred to the section headed "*Prohibition on marketing and sales to retail investors*", "*Prohibition on marketing and sales of Notes to EEA retail investors*" and "*Prohibition on marketing and sales of Notes to UK retail investors*" of this Offering Memorandum for further information.

The Notes and the Conversion Shares into which they may convert have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes 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 Securities Act).

Potential investors should read the whole of this Offering Memorandum (including the information expressed to be incorporated by reference herein), in particular the section entitled "Risk Factors" set out on pages 19 to 36 and the risk factors set out in the Equity Prospectus (as defined herein) and expressed to be incorporated by reference herein.

Structuring Banks

ABN AMRO

NatWest

Joint Lead Managers

ABN AMRO

Lloyds Bank Corporate Markets

NatWest

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and the Offering Memorandum makes no omission likely to affect the import of such information.

The sections of the Target 2024 Annual Report and the Target 2023 Annual Report (each as defined below) that are incorporated by reference herein have been extracted from publicly available information published by HSBC Life (UK) Limited. 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 HSBC Life (UK) Limited, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Memorandum is to be read in conjunction with all documents and information which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*").

No person has been authorised to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue, sale, listing and admission to trading of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of ABN AMRO Bank N.V., Lloyds Bank Corporate Markets plc or NatWest Markets Plc acting as joint lead managers (the "**Joint Lead Managers**") or any of their respective affiliates. Neither the delivery of this Offering Memorandum nor the issue, sale, listing and admission to trading of the Notes in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented.

Save for the Issuer, no other person has separately verified the information contained herein. To the fullest extent permitted by law, neither the Joint Lead Managers nor Citicorp Trustee Company Limited (the "**Trustee**") nor any of their respective affiliates accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by the Trustee or either Joint Lead Manager or any of their respective affiliates or on their behalf in connection with the Issuer or the issue, sale, listing and admission to trading of the Notes. The Trustee, each Joint Lead Manager and their respective affiliates disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement. Neither this Offering Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Trustee or the Joint Lead Managers or any of their respective affiliates that any reader of this Offering Memorandum or any other information supplied in connection with the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum or any other information supplied in connection with the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Trustee nor the Joint Lead Managers nor any of their respective affiliates undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers or Trustee or any of their respective affiliates.

Prohibition on marketing and sales to retail investors

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with

characteristics similar to the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

2. In the UK, the FCA Conduct of Business Sourcebook ("**COBS**") requires, in summary, that certain securities with characteristics similar to the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.
 - (a) One or more of the Joint Lead Managers are required to comply with COBS (as if COBS 22.3 applies to the Notes).
 - (b) By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Joint Lead Managers (acting as Joint Lead Managers), each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:
 - (i) it is not a retail client in the UK; and
 - (ii) whether or not it is subject to COBS, it will not:
 1. sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK; or
 2. communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
 - (c) In selling or offering the Notes or making or approving communications, invitations or inducements relating to the Notes it may not rely on the limited exemptions set out in COBS (as if COBS 22.3 applies to the Notes).
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of Notes (or any beneficial interests therein), whether or not specifically mentioned in this document, including (without limitation) any requirements under MiFID II, UK MiFIR, the UK FCA Handbook or any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.
4. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers (acting as Joint Lead Managers), the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Prohibition on marketing and sales of Notes to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the Regulation (EU) 1286/2014 (the

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

Prohibition on marketing and sales of Notes to UK retail investors

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

MiFID II Product governance / Professional investors and ECPs only target market

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR Product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. A distributor (as defined above) should take into consideration the manufacturers' target market assessment. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Restrictions on marketing and sales in the United States and to U.S. persons

The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restriction.

The Notes and the Conversion Shares into which they may convert have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes 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 Securities Act ("**Regulation S**")). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Offering Memorandum, see "*Subscription and Sale*".

General restrictions on marketing and sales

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers or any of their respective affiliates to subscribe for, or purchase, any Notes.

Stabilisation

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

IMPORTANT INFORMATION

Cautionary note regarding forward-looking statements

This Offering Memorandum includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", "should", "aims", "seeks", "targets" or "continues" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include, but are not limited to, statements regarding the intentions, beliefs or current expectations of the Issuer and its subsidiaries (where "subsidiary" has the meaning given to it in the Companies Act 2006) (the "**Chesnara Group**") concerning, among other things, the Chesnara Group's business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Chesnara Group's operations, its financial position and dividends, and the development of the markets and the industries in which the Chesnara Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if the Chesnara Group's results of operations and financial position, and the development of the markets and the industries in which the Chesnara Group operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See "*Risk Factors*" below.

Except as required by applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Offering Memorandum to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Offering Memorandum reflect the Chesnara Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Chesnara Group's business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Offering Memorandum, which could cause actual results to differ, before making an investment decision. Subject to requirements of applicable law and regulation, the Issuer undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Offering Memorandum that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of this Offering Memorandum.

Presentation of financial information

The financial information in this Offering Memorandum, unless otherwise stated, has been extracted without material adjustment from (i) the Issuer's Annual Report and Accounts for the year ended 31 December 2024; (ii) the Issuer's Annual Report and Accounts for the year ended 31 December 2023; (iii) Target Annual Report and Accounts for the year ended 31 December 2024; and (iv) Target Annual Report and Accounts for the year ended 31 December 2023.

Unless otherwise indicated, financial information for the Issuer, the Chesnara Group and HSBC Life (UK) Limited in this Offering Memorandum and the information incorporated by reference into this Offering Memorandum is presented in pounds sterling and has been prepared in accordance with the United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK IAS").

References to "**Solvency II**" in this Offering Memorandum mean (i) Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance ("**Solvency II**") and any delegated act, regulatory technical standards or implementing standards thereunder, as they each form part of, or are given effect to in, UK domestic law, as amended from time to time by the laws of the UK and (ii) any additional measures adopted to give effect thereto which are in effect in the UK (whether implemented by way of legislation, rules, regulations, guidance, expectation of the UK Prudential Regulation Authority (the "**PRA**") or otherwise) and (iii) any legislation, rules, regulations or published requirements or regulatory expectations of the PRA which amend, modify, re-enact or replace (i) and/or (ii) in the UK.

Pro forma financial information

In this Offering Memorandum, any reference to "pro forma" financial information is to information which has been extracted without material adjustments from the unaudited pro forma financial information contained in Part XV (*Unaudited Pro Forma Financial Information for the Enlarged Group and Accountant's Report*) of the Equity Prospectus (which is incorporated by reference in this Offering Memorandum, see section headed "*Documents incorporated by Reference*" for further information). The unaudited pro forma information contained in Part XV (*Unaudited Pro Forma Financial Information for the Enlarged Group and Accountant's Report*) of the Equity Prospectus is based on the historical financial information of the Chesnara Group and HSBC Life (UK) Limited, as contained in the 2024 Annual Report and the Target 2024 Annual Report, respectively.

Non-IFRS financial measures

This Offering Memorandum contains certain financial measures that are not defined or recognised under International Financial Reporting Standards ("**IFRS**"), in particular: "Solvency", "Commercial Cash Generation", "Economic Value" (or "**EcV**") and "EcV earnings", all of which are defined below. The directors of the Issuer believe that each of these measures provides important supplemental information with respect to the performance of the Chesnara Group's business and operations.

These non-IFRS financial measures are unaudited and are not measures recognised under IFRS or any other internationally accepted accounting principles, and prospective investors should not consider such measures as an alternative to the IFRS measures included in the 2024 Annual Report and 2023 Annual Report.

- **Solvency** - Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold – the Solvency Capital Requirement. Solvency can be reported as an absolute surplus value or as a ratio.
- **Commercial Cash Generation** - Cash generation is used by the Chesnara Group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Commercial Cash Generation excludes the impact of technical adjustments and modelling changes; representing the inherent commercial cash generated by the business.
- **Economic Value (EcV)** - EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the Chesnara Group. The Company define EcV as Own Funds

adjusted for contract boundaries, risk margin and restricted with-profit surpluses. As such, EcV and Own Funds have many common characteristics and tend to be impacted by the same factors.

- **EcV earnings** - The principal underlying components of the EcV earnings are: (i) The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force); (ii) Value added by the writing of new business; (iii) Variations in actual experience from that assumed in the opening valuation; (iv) The impact of restating assumptions underlying the determination of expected cash flows; and (v) The impact of acquisitions.

Currencies

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

No profit forecast

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

Currency exchange rate information

Unless otherwise indicated, the financial information contained in this Offering Memorandum has been expressed in pounds sterling. The functional currency of the Issuer is pounds sterling, as is the reporting currency of the Chesnara Group. Transactions not already measured in pounds sterling have been translated into pounds sterling in accordance with the relevant provisions of International Accounting Standard 21. These translations should not be construed as representations that the relevant currency could be converted into pounds sterling at the rate indicated, at any other rate or at all.

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

Third party information

The Issuer confirms that all third party data contained in this Offering Memorandum and the information incorporated herein has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Offering Memorandum and the information incorporated herein, the source of such information has been identified.

Insurance Group entities

References in this Offering Memorandum to the "**Insurance Group Parent Entity**" are to the Issuer, or any Subsidiary (as defined in the Conditions) or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group or other financial group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant

Rules (as defined in the Conditions)) pursuant to the regulatory capital requirements in force from time to time. References to the "**Insurance Group**" are to the Insurance Group Parent Entity and its Subsidiaries.

Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum, any applicable supplement; (b) have access to and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Definitions

Capitalised terms which are used in this Offering Memorandum but which are not defined herein, shall have the same meaning given to such terms in the Equity Prospectus. Such capitalised terms and their corresponding definitions under the section headed "*Part XIX - Definitions*" of the Equity Prospectus (save for any defined term contained therein that is not used in this Offering Memorandum, including any information incorporated by reference), are incorporated by reference in and form part of this Offering Memorandum. See section headed "*Documents incorporated by reference*" for further information.

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DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with the information contained in:

- (i) the sections set out in the table below of the equity prospectus published by the Issuer (available at <https://www.chesnara.co.uk/~media/Files/C/Chesnara-Plc-V2/documents/rights-issue-and-prospectus/prospectus-v1.pdf>) (the "**Equity Prospectus**");
- (ii) the sections set out in the table below of the 2024 Annual Report and Accounts published by the Issuer (available at <https://www.chesnara.co.uk/~media/Files/C/Chesnara-Plc-V2/documents/reports-and-presentations/financial-reports/2024/chesnara-2024-annual-report-and-accounts.pdf>) (the "**2024 Annual Report**");
- (iii) the sections set out in the table below of the 2023 Annual Report and Accounts published by the Issuer (available at <https://www.chesnara.co.uk/~media/Files/C/Chesnara-Plc-V2/documents/reports-and-presentations/financial-reports/2023/chesnara-ara-2023.pdf>) (the "**2023 Annual Report**");
- (iv) the Solvency and Financial Condition Report for the Issuer for the year ended 31 December 2024 (available at <https://www.chesnara.co.uk/~media/Files/C/Chesnara-Plc-V2/documents/reports-and-presentations/financial-reports/2024/chesnara-solvency-and-financial-condition-report%202024.pdf>) (the "**2024 SFCR**");
- (v) the sections set out in the table below of the Annual Report and Financial Statements for the year ended 31 December 2024 published by the HSBC Life (UK) Limited (available at <https://find-and-update.company-information.service.gov.uk/company/00088695/filing-history>) (the "**Target 2024 Annual Report**"); and
- (vi) the sections set out in the table below of the Annual Report and Financial Statements for the year ended 31 December 2023 published by HSBC Life (UK) Limited (available at <https://find-and-update.company-information.service.gov.uk/company/00088695/filing-history>) (the "**Target 2023 Annual Report**").

Such documents (or, in the case of the documents set out in the below table, the sections referred to in the table only) shall be incorporated in and form part of, this Offering Memorandum, save that any statement contained in any information which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum. Those parts of the documents containing information incorporated by reference in this Offering Memorandum which are not specifically incorporated by reference in this Offering Memorandum are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Offering Memorandum. Any documents themselves incorporated by reference in the information incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

Reference Document	Information incorporated by reference	Page number in the reference document
Equity Prospectus	<p>The section headed "Part II - Risk Factors – Risks relating to the Chesnara Group, the Enlarged Group and industry in which Chesnara Operates"</p> <p>The section headed "Part II - Risk Factors – Risks Relating to the Acquisition" (save for the sub-section therein headed "The Rights Issue is not conditional upon completion of the Acquisition; if the Rights Issue completes but the Acquisition does not, the proceeds of the Rights Issue will be retained by the Chesnara Group")</p> <p>The sub-sections headed "2.1 – Strategy", "2.2 – Reasons for Acquisition" and "2.3 – Impact of the Acquisition" in the section headed "Part VII – Letter from the Chair"</p> <p>The section headed "Part X - Information on Chesnara plc" (save for: (i) the first paragraph immediately preceding the sub-section headed "1 – Introduction"; and (ii) the sub-section headed "5 – Recent Developments")</p> <p>The section headed "Part XV - Unaudited Pro Forma Financial Information for the Enlarged Group and Accountant's Report – Part A: Unaudited <i>Pro Forma</i> Financial Information and Part B – Accountant's Report" (save for: (i) the first two paragraphs under the sub-section headed "Part A – Unaudited Pro Forma Financial Information"; and (ii) any reference to "which are incorporated into this Prospectus by reference", "Part XII (Historical Financial Information of Chesnara plc)" and "Part XIII (Historical Financial Information of HSBC Life (UK))")</p> <p>The sub-section headed "9.1.1 Share Purchase Agreement" in the section headed "Part XVII - Additional Information – 9. Material Contracts – 9.1 Chesnara"</p> <p>The section headed "Part XIX - Definitions" (save for any defined term contained therein that is not used in this Offering Memorandum, including any information incorporated by reference)</p>	<p>16 - 26</p> <p>26 - 29</p> <p>43 - 46</p> <p>93 - 99</p> <p>107 - 113</p> <p>130 - 132</p> <p>145 - 150</p>
2024 Annual Report	<p>Corporate Governance Report</p> <p>Directors' Remuneration Report</p> <p>Independent Auditor's report to the members of Chesnara plc</p> <p>Consolidated Statement of Comprehensive Income</p>	<p>98 - 103</p> <p>110 - 126</p> <p>142 - 147</p> <p>148</p>

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OVERVIEW

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Memorandum. Terms which are defined in the section headed "Terms and Conditions of the Notes" have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in the section headed "Terms and Conditions of the Notes".

Issuer	Chesnara plc
Insurance Group	At any time, the Insurance Group Parent Entity (being the Issuer at the date of this Offering Memorandum) and its Subsidiaries, at such time
Joint Lead Managers	ABN AMRO Bank N.V. Lloyds Bank Corporate Markets plc NatWest Markets Plc
Trustee	Citicorp Trustee Company Limited
Principal Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch
Notes	£150,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes
Issue Date	1 August 2025
Issue Price	100 per cent.
Perpetual Securities	The Notes will be perpetual securities with no fixed redemption date, and the holders of the Notes (the " Noteholders ") will have no right to require the Issuer to redeem or purchase the Notes at any time.
Status and Subordination	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves.</p> <p>The rights and claims of the Noteholders (and the Trustee on their behalf) against the Issuer will be subordinated as described in Condition 3 (<i>Status of the Notes and rights in an Issuer Winding-Up</i>).</p>
Interest Rate	<p>The Notes will bear interest on their outstanding principal amount:</p> <ul style="list-style-type: none">(i) from (and including) the Issue Date to (but excluding) 1 February 2031 ("First Reset Date") at a fixed rate of 8.500 per cent. per annum; and(ii) thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each such date, a "Reset Date") as the sum of the relevant Reset Reference Rate, and the Margin.

Interest will, subject as described below in "*Cancellation of Interest Payments*", "*Mandatory Cancellation of Interest Payments*", "*Issuer's Distributable Items*" and "*Interest Payments Discretionary*", be payable on the Notes semi-annually in arrear on 1 February and 1 August (each, an "**Interest Payment Date**") in each year commencing on 1 February 2026.

Cancellation of Interest Payments

Subject as more fully described in the Conditions, Interest Payments shall not be made by the Issuer in the following circumstances:

- (i) the cancellation of such Interest Payment, or such Interest Payment not becoming due and payable, in accordance with the provisions described under "*Mandatory Cancellation of Interest Payments*" below;
- (ii) the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (in whole or in part) as described under "*Interest Payments Discretionary*" below; or
- (iii) the cancellation of payments of accrued interest in accordance with the provisions described under "*Automatic Conversion*" below.

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

Mandatory Cancellation of Interest Payments

Subject to certain limited exceptions as further described hereunder, the Issuer shall be required to cancel in full any Interest Payment if:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (ii) there is non-compliance with any applicable Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with any applicable Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iii) there is non-compliance with any applicable Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with any applicable Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment

(having regard also to any Additional Amounts payable with respect thereto);

- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (v) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules to cancel the relevant Interest Payment.

The Issuer shall not be required to cancel an Interest Payment where such an event or circumstance has occurred and is continuing, or would occur if payment of interest on the Notes were to be made, to the extent permitted by the Relevant Rules, where:

- (i) such event is of the type described in sub-paragraph (ii) above only;
- (ii) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment (and such waiver has not been withdrawn by the Relevant Regulator);
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (iv) each applicable Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

Issuer's Distributable Items

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

- (i) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus
- (ii) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date; less
- (iii) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then

latest financial year end to (but excluding) such Interest Payment Date.

Interest Payments Discretionary

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out in the Conditions. Accordingly, the Issuer may at any time, subject as provided below, elect to cancel any Interest Payment (or part thereof) which would otherwise be due and payable on any Interest Payment Date.

Solvency Condition

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring, all payments (other than any cash component of the Conversion Shares Offer Consideration, and subject also to Condition 3(c)) under or arising from the Notes or the Trust Deed shall be conditional upon the Issuer being solvent (as defined below) at the time for payment by the Issuer and no such amount shall be payable under or arising from the Notes or the Trust Deed (including any damages awarded for breach of obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

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

The Issuer will be "**solvent**" for these purposes if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

For this purpose:

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

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited balance sheet of the Issuer but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine.

"**Senior Creditors**" means creditors of the Issuer:

- (i) whose claims are unsubordinated, including the claims of all policyholders (if any) or beneficiaries under contracts of insurance or reinsurance (if any) of the Issuer (and for these purposes, the claims of policyholders and beneficiaries under a contract of insurance or reinsurance shall include all amounts to which such policyholders and beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which such policyholders or beneficiaries may have);

- (ii) whose claims upon issue constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital or Tier 3 Capital of the Issuer or the Insurance Group; and
- (iii) whose claims are, or are expressed by their terms to be, subordinated (whether only in the event of an Issuer Winding-Up or otherwise) to the claims of other creditors of the Issuer, other than those (a) whose claims upon issue constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital of the Issuer or the Insurance Group or (b) whose claims otherwise rank, or are expressed by their terms to rank, *pari passu* with, or junior to, the claims of the holders in respect of the Notes in an Issuer Winding-Up occurring prior to a Trigger Event.

Automatic Conversion

Unless the Relevant Regulator has waived Automatic Conversion as provided in Condition 6(a), immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur.

"Automatic Conversion" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release, with effect immediately following the determination that a Trigger Event has occurred (unless the Relevant Regulator has waived such Automatic Conversion in the circumstances set out in Condition 6(a)), by the Noteholders of all of the Issuer's obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing conversion price, being £1,000 per Conversion Share, subject to adjustment in accordance with Condition 6 (the **"Conversion Price"**), the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed.

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer (whether in an Issuer Winding-Up or otherwise) with respect to: (i) repayment of the principal amount of the Notes or any part thereof; (ii) the payment of any interest on the Notes for any period; or (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

The release of the principal amount of a Note pursuant to, and in accordance with, Condition 6 shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be waived by the Relevant Regulator at any time prior to the occurrence of the relevant Trigger Event if such an Automatic Conversion (taking into account the write-down or conversion of any other Own Fund Items on or around the same date) would give rise to a tax liability that would have a significant adverse effect on the solvency position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to (i) the cancellation of any Interest Payment or part thereof pursuant to Condition 5 and (ii) the Automatic Conversion of the Notes following the occurrence of a subsequent Trigger Event in respect of which the Relevant Regulator does not grant such a waiver). The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading and, in accordance with Condition 13 (*Notices*), the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the Relevant Regulator.

See Condition 6 (*Automatic Conversion*) for further information.

Trigger Event

A Trigger Event shall occur if at any time:

- (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement of the Issuer or the Insurance Group is equal to or less than 75 per cent. of such Solvency Capital Requirement;
- (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement of the Issuer or the Insurance Group is equal to or less than such Minimum Capital Requirement; or
- (iii) a breach of the Solvency Capital Requirement of the Issuer or the Insurance Group has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Redemption at the option of the Issuer

Subject to certain conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 1 August 2030 and ending on (and including) the First Reset Date or (B) any day falling in the six-month period ending on (and including)

Redemption, substitution or variation at the option of the Issuer for taxation reasons

any subsequent Reset Date, in each case at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Subject to certain conditions, if a Tax Event has occurred and is continuing, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities.

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

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred and is continuing, or as a result of any change to the Relevant Rules (or change in the interpretation of the Relevant Rules by any court of authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities.

A "**Capital Disqualification Event**" shall be deemed to have occurred if, at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital.

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

Subject to certain conditions, if a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in (or clarification to) the methodology of a Rating Agency (or in the interpretation of such methodology), a Ratings Methodology

Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities.

A "**Ratings Methodology Event**" will be deemed to occur if, at any time, there occurs a change in (or clarification to) the methodology of any Rating Agency (the "**Relevant Rating Agency**") (or in the interpretation by that Rating Agency of such methodology) after the Specified Date as a result of which the "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by the Relevant Rating Agency to the Notes is, as notified by the Relevant Rating Agency to the Issuer or as published by the Relevant Rating Agency, reduced when compared to (a) the "equity credit" first assigned by the Relevant Rating Agency or its predecessor to the Notes (whether on or around the Issue Date or thereafter) or (b) (if this is lower) the lowest "equity credit" assigned by the Relevant Rating Agency or its predecessor to the Notes on the issue date of, or in connection with the issue of, any Further Notes pursuant to Condition 17 (where, in each case, any such "equity credit" was assigned following solicitation by, or with the co-operation of, the Issuer).

Clean-up redemption at the option of the Issuer

Subject to certain conditions, if 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Purchases

Subject to certain limited exceptions as more fully described in the Conditions, the Issuer or any of its Subsidiaries may purchase Notes in any manner and at any price.

**Conditions to Redemption,
Substitution, Variation or purchase**

To the extent required pursuant to the Relevant Rules at the relevant time, and save as otherwise provided hereunder, the Issuer may not redeem or purchase (and no Subsidiary of the Issuer may purchase) any Notes unless each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied:

- (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Specified Date, either:
 - (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes and being otherwise permitted under the Relevant Rules; or
 - (2) in the case of any redemption following a Tax Event or Capital Disqualification Event the Relevant Regulator having confirmed to the Issuer that it is satisfied that each applicable Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) and either:
 - (A) in the case of any such redemption due to the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Specified Date; or
 - (B) in the case of any such redemption due to the occurrence of a Capital Disqualification Event, the Relevant Regulator considering that the relevant change in the regulatory classification of the Notes is sufficiently certain and the Issuer having demonstrated to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable as at the Specified Date;
- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, the Relevant Regulator having confirmed to the Issuer that it is satisfied that each applicable Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately

following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

- (iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (iv) each applicable Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause any applicable Solvency Capital Requirement to be breached;
- (v) each applicable Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause any applicable Minimum Capital Requirement to be breached;
- (vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the Relevant Regulator has waived Automatic Conversion as contemplated in Condition 6(a));
- (vii) no Insolvent Insurer Winding-up has occurred and is continuing; and
- (viii) the Regulatory Clearance Condition is satisfied,

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

Notwithstanding the above requirements, if, at the time of any redemption or purchase, the Relevant Rules permit the redemption or purchase only after compliance with one or more alternative or additional conditions to those set out above, the Issuer shall comply (in the alternative or, as the case may be, in addition to the foregoing, as then required by the Relevant Rules) with such alternative and/or additional condition(s) as are then so required (which shall be deemed to be the "**Redemption and Purchase Conditions**").

If, on the proposed date for any redemption of the Notes, the Redemption and Purchase Conditions are not satisfied, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(c) and 8(d).

If, on the proposed date for any purchase of any Notes, the Redemption and Purchase Conditions are not satisfied, the

relevant purchase shall be cancelled (and each Noteholder, by virtue of holding any Note, shall be deemed to have agreed and consented to the cancellation of the relevant purchase agreement).

Any substitution or variation of the Notes pursuant to Condition 8 shall be subject to the Regulatory Clearance Condition being satisfied in respect thereof and to such substitution or variation otherwise being in compliance with the Relevant Rules at the relevant time.

Notwithstanding the Redemption and Purchase Conditions, the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where each of the following conditions (or such other conditions as may be imposed by the Relevant Rules at the relevant time) are met:

- (a) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) above;
- (b) the Issuer has received prior written permission for such redemption or purchase from the Relevant Regulator (and the Relevant Regulator has not withdrawn its written permission for such redemption or purchase);
- (c) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes; and
- (d) each applicable Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

Preconditions to redemption, variation and substitution

Prior to the publication of any notice of redemption, variation or substitution the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that (A) as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing (or, as the case may be, in the case of a Capital Disqualification Event or a Ratings Methodology Event, will occur within a period of six months) or, for the purposes of Condition 8(j), that 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased

by the Issuer or any of its Subsidiaries and cancelled as at the date of the certificate and (B) (in the case of a Tax Event, Capital Disqualification Event or Ratings Methodology Event) that it would have been reasonable for the Issuer to conclude, judged at the Specified Date, that the relevant Tax Event, Capital Disqualification Event or Ratings Methodology Event was not reasonably foreseeable.

In the case of a notice of redemption, variation or substitution at the option of the Issuer due to a Tax Event, the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser (as further described in the Conditions).

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes pursuant to Condition 8(g), 8(h) or 8(i) unless:

- (i) it has notified the Relevant Regulator in writing of its intention to do so not less than one month (or such other period as may be required by the Relevant Regulator or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective; and
- (ii) the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

Withholding tax and additional amounts

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In that event, the Issuer shall, subject to certain exceptions set out in Condition 9 (*Taxation*), pay such additional amounts in relation to payments of interest (but not in respect of any payments of principal or other amounts) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

"Relevant Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes.

Enforcement

Notwithstanding any of the provisions in Condition 11 (*Non-payment of principal when due*), the right to institute winding-up proceedings by the Trustee on behalf of the Noteholders in respect of the Issuer is limited to circumstances where a payment

of principal in respect of the Notes by the Issuer under the Conditions or any provision of the Trust Deed has become due and is not duly paid. No amount shall be due from the Issuer in circumstances where payment of principal could not be made in compliance with the Solvency Condition, or on any date on which payment must be suspended in accordance with the provisions of Condition 8, or after a Trigger Event has occurred.

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them, the Trustee at its discretion may, and if so requested by Noteholders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for the winding-up of the Issuer in England but not elsewhere.

Subject to Condition 6 (*Automatic Conversion*), in the event of an Issuer Winding-Up (whether or not instituted by the Trustee), the Trustee may prove and/or claim in such Issuer Winding-Up, such claim being as provided in, and subordinated in the manner described in, Condition 3(a) (*issuer Winding-Up prior to a Trigger Event*) or, as applicable, Condition 3(b) (*Issuer Winding-Up on or following a Trigger Event*), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

Form

The Notes will be issued in registered form and represented upon issue by a Global Certificate which will be registered in the name of a nominee for a Common Depositary for Clearstream, Luxembourg and Euroclear on or about the Issue Date.

Denomination

The Notes will be issued in denominations of £200,000 each and integral multiples of £1,000 in excess thereof.

Substitution of Issuer and transfer of business

Pursuant to Condition 14(a) the Trustee has discretion to agree, without the consent of Noteholders, to the substitution in place of the Issuer of a successor in business (as defined in the Conditions).

In addition, pursuant to Condition 14(b), if requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason, the Trustee shall (subject to certain conditions but without the need for the Trustee to be satisfied that the said substitution is not materially prejudicial to the interest of the Noteholders) promptly agree, without the consent of the Noteholders, to the substitution, on a subordinated basis equivalent to that referred to in Condition 3, of the new Insurance Group Parent Entity in place of the Issuer (or any previous substitute under Condition 14) as a new principal debtor under

	<p>the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes.</p> <p>In addition, pursuant to Condition 14(c), if a Newco Scheme occurs, the Issuer may, without the consent of Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the Issuer (or any previous substitute).</p>
Meetings of Noteholders, written resolutions and electronic consents	<p>The Trust Deed and Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or video conference) to consider matters affecting their interests generally.</p> <p>The Trust Deed also provides that a resolution may be passed in writing (and where the Notes are held in global form by way of electronic consent) (see the section entitled “<i>Summary of Provisions Relating to the Notes whilst in Global Form – Electronic Consent and Written Resolution</i>” for further details). These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, who did not sign the relevant resolution in writing or provide electronic consents, and Noteholders who voted in a manner contrary to the majority.</p>
Admission to trading	<p>Application has been made for the Notes to be admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. Euronext Dublin's Global Exchange Market is not a regulated market for the purposes of MiFID II or UK MiFIR.</p>
Ratings	<p>The Notes are expected to be assigned a rating of BBB- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Governing Law	<p>The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and construed in accordance with, English law.</p>
ISIN	XS3124392633
Common Code	312439263
Clearing Systems	Euroclear and Clearstream, Luxembourg.

RISK FACTORS

Investing in the Notes involves certain risks. The Issuer believes that the factors set out below and in the sections of the Equity Prospectus referenced below (which are incorporated by reference herein) may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Chesnara Group and the impact each risk could have on the Chesnara Group is set out below.

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

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

Capitalised terms which are defined in the "Terms and Conditions of the Notes" have the same meaning when used in this overview.

Risks relating to the Chesnara Group, the Enlarged Group and industry in which the Issuer operates

The section headed "*Risk Factors – Risks Relating to the Chesnara Group, the Enlarged Group and industry in which Chesnara Operates*" of the Equity Prospectus, as incorporated by reference into and thereby forming part of this Offering Memorandum, sets out a description of the risks relating to the Chesnara Group, the Enlarged Group and industry in which the Issuer operates. See section headed "*Documents incorporated by reference*" for further information.

Risks relating to the Acquisition

The section headed "*Risk Factors – Risks Relating to the Acquisition*" of the Equity Prospectus (save for the sub-section therein headed "*The Rights Issue is not conditional upon completion of the Acquisition; if the Rights Issue completes but the Acquisition does not, the proceeds of the Rights Issue will be retained by the Chesnara Group*"), as incorporated by reference into and thereby forming part of this Offering Memorandum, sets out a description of the risks relating to the Acquisition. See section headed "*Documents incorporated by reference*" for further information.

Risks relating to the Notes

Risks relating to the structure of the Notes

The Issuer's obligations under the Notes are subordinated

The Issuer's obligations under the Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

The rights and claims of the Noteholders (and the Trustee on their behalf) will be subordinated to the claims of Senior Creditors (as defined in the Conditions) in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, immediately prior to commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in such Issuer Winding-Up to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up or administration or any other similar event or procedure of the Issuer over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration or any other similar event or procedure of the Issuer were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

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

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

In addition, investors should be aware that, upon the occurrence of a Trigger Event (and unless the Relevant Regulator waives Automatic Conversion in exceptional circumstances), the Notes will be subject to an Automatic Conversion, pursuant to which the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged. Any Conversion Shares received by Noteholders as a result of Automatic Conversion will rank junior to the ranking of the Notes. Therefore, there is a risk that Noteholders will lose the entire amount of their investment in the Notes, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. See also *"Risks relating to the structure of the Notes – Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes"*.

If an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the Relevant Regulator has waived Automatic Conversion) and where an Automatic Conversion has not yet been effected, the claim of a Noteholder in respect of their Notes in such Issuer Winding-Up shall be for such amount, if any, as would have been payable to the Noteholder if, immediately prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would (assuming no Conversion Shares Offer) have been entitled to receive upon an Automatic Conversion.

The Issuer is a holding company and Noteholders are structurally subordinated to the creditors of the Issuer's subsidiaries

The Issuer is the parent company of the Chesnara Group, and is dependent upon dividends and other distributions from, and intra-group financing arrangements with, its subsidiaries for generating necessary for the Issuer to make payments in respect of its issued securities (including the Notes) and other obligations. The operations of the Chesnara Group are conducted by the operating subsidiaries of the Issuer. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends to the Issuer) to Noteholders in respect of any payment obligations of the Issuer under the Notes. As the equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will (save to the extent the Issuer is a creditor under intra-group financing arrangements) be effectively subordinated to the claims of all creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in, or other lien on, their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

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

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

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

Under the terms of the Notes, if at any time a Trigger Event occurs (unless the Relevant Regulator waives Automatic Conversion in exceptional circumstances as provided in the Conditions), all accrued and unpaid interest will be cancelled irrevocably and the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged and the Notes will be cancelled in consideration of the issue of Conversion Shares. In such circumstances, the Noteholders will have no rights against the Issuer with respect to repayment of the principal amount of the Notes or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Notes and/or the Trust Deed, whether in an Issuer Winding-Up or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Notes at any time. The initial Conversion Price is £1,000 per share (subject to adjustment only for limited anti-dilution events). Accordingly, if a Trigger Event occurs (and unless the Relevant Regulator waives Automatic Conversion in exceptional circumstances as provided in the Conditions), Noteholders will lose all or substantially all of the value of their investment in the Notes. Following an Automatic Conversion, Noteholders will receive only (i) the Conversion Shares (if the Issuer elects that a Conversion Shares Offer will not be made or the relevant Noteholder elects to receive the Conversion Shares); or (ii) the Conversion Shares Offer Consideration, which shall be comprised entirely of Conversion Shares or cash depending on the results of the Conversion Shares Offer. The realisable value of any Conversion Shares or, as the case may be, the value of any such cash amount, received is expected to be significantly less than the Conversion Price, and could be substantially lower than that implied by the price paid for the Notes at the time of their purchase.

The Automatic Conversion may occur irrespective of whether the Issuer has sufficient assets available to settle the claims of the Noteholders of the Notes or other securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. As a result, Noteholders may have no claim for principal in the event of an Issuer Winding-Up, even though other securities that rank equally in priority may continue to have such a claim and the Issuer may have sufficient assets to satisfy the claims of Noteholders of other subordinated debt of the Issuer.

The occurrence of the Trigger Event may depend on factors outside of the Issuer's control

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

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

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

See also *"The Issuer and/or Insurance Group may change from time to time, which may affect the operation of the Conditions including as regards the cancellation or suspension of payments of interest and principal and the occurrence of a Trigger Event"*.

Changes to the Relevant Rules may increase the risk of the occurrence of a Trigger Event, cancellation of interest payments, suspension of any redemption of the Notes or the occurrence of a Capital Disqualification Event

The requirements under the Relevant Rules, whether as a result of changes to the Relevant Rules themselves or the way in which the Relevant Regulator interprets and applies these requirements to the Issuer and the Insurance Group, may change. In addition, the Relevant Rules and Relevant Regulator applicable to the Issuer and/or the Insurance Group may change – see *"The Issuer and/or Insurance Group may change from time to time, which may affect the operation of the Conditions including as regards the cancellation or suspension of payments of interest and principal and the occurrence of a Trigger Event"*. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Issuer's or the Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement, and such changes may make the Issuer's or the Insurance Group's regulatory capital requirements more onerous. Such changes that may occur in the application of the Relevant Rules subsequent to the date of this Offering Memorandum and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Issuer's or the Insurance Group's Solvency Capital

Requirement and Minimum Capital Requirement and thus increase the risk of cancellation of interest payments, the suspension of any redemption of the Notes or a Trigger Event occurring, which will lead to an Automatic Conversion, as a result of which a Noteholder could lose all or part of the value of its investment in the Notes. Such changes may also increase the risk of the occurrence of a Capital Disqualification Event (and increase the risk of redemption of the Notes by the Issuer).

As the Conversion Price is fixed at £1,000 per Conversion Share at the time of issue of the Notes (and is subject to only limited adjustment), Noteholders will bear the risk of fluctuations in the market price of the Conversion Shares

As a Trigger Event will only occur at a time when there is a significant deterioration in the amount of Own Fund Items to cover the Solvency Capital Requirement or the Minimum Capital Requirement, a Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Trigger Event. The realisable value of the Conversion Shares is expected to be significantly below the prevailing Conversion Price at such time and the number of Conversion Shares potentially to be received by a Noteholder is not expected to be representative of the current or future market price of such Conversion Shares. The Conversion Price is fixed at £1,000 per Conversion Share (subject to limited adjustment in accordance with Condition 6) at the time of issue of the Notes. The Conversion Price does not reflect the market price of the ordinary shares of the Issuer, which is currently and could continue to be significantly lower than the Conversion Price (for example, as at 29 July 2025 the closing secondary market price of an ordinary share of the Issuer on the London Stock Exchange was £2.6350, whereas the Conversion Price is £1,000 per Conversion Share (subject to adjustment in accordance with the Conditions) (i.e. the Conversion Price is approximately 380 times higher than the share price as at such date). This approach differs from some other conversion-style tier one instruments that an investor may hold or purchase.

In addition, there may be a delay in a Noteholder receiving its Conversion Shares following a Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the period of the Conversion Shares Offer may last up to 40 Business Days from the Conversion Date), during which time the market price of the ordinary shares of the Issuer may further decline. As a result, the realisable value of the Conversion Shares may be below the Conversion Price. Although the market value of such shares may increase over time, they may never be equal to the principal amount of the Notes converted. Despite potentially receiving Conversion Shares, it is possible that investors in the Notes may nevertheless lose some or substantially all of their investment in the Notes.

Noteholders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon an Automatic Conversion following a Trigger Event

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary and a Noteholder does not elect to receive the Conversion Shares to which it would otherwise be entitled, then that Noteholder may not ultimately receive Conversion Shares upon an Automatic Conversion following a Trigger Event.

The Conversion Shares Offer may be conducted at the election of the Issuer on the terms set out in the Conditions.

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, Noteholders who do not elect to receive Conversion Shares in accordance with the Conditions shall be entitled to receive, in respect of each Note, the *pro rata* share of the net cash proceeds from the sale of the Conversion Shares attributable to such Note. The cash component of any Conversion Shares Offer Consideration shall be subject to deduction of any foreign exchange transaction costs and an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or

documentary tax that may arise or be paid as a consequence of the transfer of the Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer.

Furthermore, the Issuer or the Conversion Shares Depositary will provide notice of the results of any Conversion Shares Offer only at the end of the period of the Conversion Shares Offer. Accordingly, notwithstanding that the Conversion Shares Offer Consideration will be delivered to any Noteholder either fully in cash or fully in Conversion Shares, Noteholders would not know the cash amount (if applicable) of the Conversion Shares Offer Consideration to which they may be entitled until the end of the period of the Conversion Shares Offer.

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

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and the exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under Condition 6. Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

Noteholders will have to comply with certain procedures to receive delivery of the Conversion Shares or Conversion Shares Offer Consideration following an Automatic Conversion

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

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

Noteholders may be subject to disclosure obligations and/or may need approval from the Issuer's regulator under certain circumstances.

As the Noteholders may receive Conversion Shares if a Trigger Event occurs, an investment in the Notes may result in Noteholders having to comply with certain disclosure and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches, exceeds or falls below 3 per cent. and every percentage point thereafter.

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of regulated group entities, under the laws of the UK and other jurisdictions, ownership of the Notes themselves (or the Conversion

Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Trigger Event.

Noteholders may be subject to taxes following an Automatic Conversion

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

Other capital instruments issued by the Issuer may not absorb losses at the same time, or to the same extent as the Notes

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

Restricted remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due and payable in respect of the Notes will be the institution of proceedings for an Issuer Winding-Up or to claim and/or prove in any Issuer Winding-Up. Amounts of interest will not become due if the Issuer elects, or is required, to cancel the payment of such amounts in accordance with the Conditions, and principal amounts payable on redemption will not become due if and for so long as repayment of such principal amounts are required to be suspended under the Conditions. Any cancellation or non-payment of interest or suspension of redemption of the Notes shall not constitute a default or event of default on the part of the Issuer for any purpose.

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

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

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

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

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Although the Issuer may, under certain circumstances described in Condition 8 (*Redemption, Substitution, Variation and Purchase*), redeem or purchase the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem or purchase the Notes.

Therefore, Noteholders do not have the ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem or purchase the Notes in accordance with the Conditions, (ii) by selling to other market participants their Notes, (iii) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Notes but fails to make payment in respect of such redemption when due, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors or (iv) upon an Issuer Winding-Up, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of the actions described in (iii) and (iv) above may be substantially less than the principal amount of the Notes or amount of the investor's investment in the Notes. See also "*Risks relating to the market generally - The secondary market generally*".

In addition, the Conditions set out certain Redemption and Purchase Conditions, including in relation to the Solvency Capital Requirement and the Minimum Capital Requirement being met immediately prior to the redemption or purchase of the Notes. If the Redemption and Purchase Conditions are not met, the Issuer may not redeem or purchase any Notes and the redemption or purchase of the Notes shall instead be suspended, as provided in the Conditions.

Payments by the Issuer are conditional upon the Issuer being solvent

Other than where an Issuer Winding-Up has occurred or is occurring, all payments (other than any cash component of the Conversion Shares Offer Consideration and subject also to Condition 3(c) (*Trustee's Fees*)) under or arising from the Notes (including any damages for breach of any obligations under the Trust Deed) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no such amount shall be due and payable by the Issuer in respect of or arising from the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due and payable but for the inability to comply with the Solvency Condition shall be cancelled in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*).

Interest Payments on the Notes are discretionary

Interest payments on the Notes are discretionary at the option of the Issuer and the Issuer may elect to cancel interest payments, in whole or in part, at any time. Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer and is subject to Condition 3(d) (*Solvency Condition*), Condition 5(b) (*Mandatory Cancellation of Interest*) and Condition 6 (*Automatic Conversion*). The Issuer may at any time elect to cancel any interest payment, in whole or in part, which would otherwise be due and payable on any Interest Payment Date.

At the date of this Offering Memorandum, it is the intention of the directors of the Issuer to take into account the relative hierarchy of its ordinary shares and the Notes whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the directors may depart from this policy at any time in their sole and absolute discretion.

Any interest payment (or relevant part thereof) which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment (or relevant part thereof) which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

In addition to the Issuer's right to cancel interest payments, in whole or in part, at any time, the Conditions require that interest payments must be cancelled under certain circumstances. Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto

The Issuer must cancel any interest payment on the Notes in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*) in the event that, *inter alia*, the Issuer cannot make the payment (including, if applicable, any Additional Amounts) in compliance with the Solvency Condition, any applicable Solvency Capital Requirement or the Minimum Capital Requirement, or where the interest payment would, together with any Additional Amounts payable with respect thereto, exceed the amount of the Issuer's Distributable Items (as defined in the Conditions) as at the time for payment, or if required to cancel any interest payment by the Relevant Regulator or under the Relevant Rules (as defined in the Conditions). As at 31 December 2024, the Issuer's Distributable Items were £157.5 million (31 December 2023: £167.3 million).

Any interest payment which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Notes

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make interest payments on the Notes, are a function of the Issuer's existing Distributable Items, future Chesnara Group profitability and performance and the ability to distribute or dividend profits from the Issuer's operating subsidiaries up the Chesnara Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer's operating subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's operating subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. In particular, in certain circumstances, such as if a Chesnara Group company was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection

were identified, the Relevant Regulator could intervene in the interests of policyholder security, for example, by imposing restrictions on the fungibility or movement of capital between members of the Chesnara Group.

The Notes may fall within the scope of bail-in powers if a recovery and resolution regime for insurers is implemented in the UK

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

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

In the UK, changes were made in 2023 to legislation and the PRA's materials to clarify and enhance a previously existing power of the court. The new provision allows the court to make a write-down order to reduce the value of one or more of the contracts of an insurer (including liabilities such as the Notes) where it is satisfied that an insurer "is likely to become" insolvent provided that it is also satisfied that making the order is reasonably likely to lead to a better outcome for the insurer's policyholders and other creditors (taken as a whole) than not making the order (a so-called 'write-down' of liabilities). This power was formerly contained in section 377 of FSMA, but is now to be found in new sections 377A to 377K of FSMA.

In addition, in January 2023, the UK government published a consultation (the "**Consultation**") on a resolution regime for insurers ("**IRR**"), which is separate from the changes introduced by sections 377A to 377K of FSMA. In the Consultation, the government proposed that it would legislate to introduce an IRR which would be similar to the resolution regime for banks under the Banking Act 2009. The Bank of England would be the UK resolution authority for insurers. It is proposed that resolution tools could be triggered if an insurer is failing or likely to fail, if resolution is in the best interests of the public and no other alternative would achieve the same result. The Consultation proposes six resolution tools for insurers: (i) the transfer of some or all of an insurer's business to a private sector purchaser; (ii) the transfer of an insurer's business to a bridge institution pending a formal resolution or sale to the private sector; (iii) bail-in powers which could be applied to restructure, modify, limit or write down an insurer's liabilities, subject to exclusions; (iv) the power to place an insurer under temporary public ownership; (v) the power to transfer assets and liabilities to a balance sheet management vehicle with a view to maximising value through sale or a wind-down and (vi) an insurer administration procedure to allow the Bank of England to exercise the proposed private sector purchaser and bridge institution stabilisation powers whilst ensuring that the insurer's critical functions can continue to operate. The Consultation also proposes the introduction of ancillary powers including powers to suspend termination rights, impose distribution restrictions and change management, alongside enhanced resolution planning requirements such as a resolvability assessment framework and the introduction of resolution plans which would set out the Bank of England's preferred resolution strategy for the relevant insurer.

The proposed IRR is relevant to most UK-authorized insurers and is therefore likely to be applicable to the Chesnara Group. Certain elements of the IRR proposals (such as the resolvability assessment framework and the new proposals relating to resolution plans) are expected to be subject to proportionality requirements and therefore the extent to which those aspects of the IRR would apply to the Chesnara Group is currently uncertain.

The existence of the section 377A FSMA write-down power means that, if the financial condition of the Issuer were to deteriorate, it is possible that a write-down order could be made in respect of its liabilities (including

liabilities such as the Notes). If the IRR is enacted as proposed in the Consultation and the Issuer enters a state where it is failing or likely to fail, one or more of the IRR resolution tools could be applied in respect of the Issuer or any other member of the Chesnara Group or any of their liabilities (including liabilities such as the Notes). The making of a section 377A FSMA write-down order or a resolution order, or the perception that the making of such an order may be imminent, could have a material adverse effect on the Chesnara Group's reputation, business and prospects.

Draft legislation for the IRR has not yet been published and the timetable for enacting the proposals in the Consultation is not yet clear. In a response document published in August 2023, the government indicated that it had received broad support for its proposals and that it plans to legislate when parliamentary time allows.

It is possible that the proposals in the Consultation, if and when enacted, could be broadened to include further requirements (for example, a requirement for insurers to maintain minimum levels of eligible liabilities in addition to their existing own funds requirements), which could involve additional costs or compliance burdens for the Chesnara Group.

It therefore remains unclear to what extent the IRR could apply to the Chesnara Group and, consequently, what the implications of such developments would be for the Chesnara Group and its creditors, including the Noteholders.

Separately, on 23 January 2024, the PRA published a consultation on the introduction of new rules for UK insurers to ensure they are appropriately prepared to undertake a solvent exit (as an alternative to recovery action), including by producing and maintaining a solvent exit analysis and, where solvent exit becomes a reasonable prospect, preparing a detailed solvent exit execution plan. The PRA published a policy statement on these proposed reforms in December 2024, which will be implemented by way of new rules and a new Supervisory Statement SS11/24. UK insurers are expected to comply with these new rules and expectations by 30 June 2026.

The Issuer and/or Insurance Group may change from time to time, which may affect the operation of the Conditions including as regards the cancellation or suspension of payments of interest and principal and the occurrence of a Trigger Event

The operation of a number of important provisions of the Conditions will depend on the identity of the Issuer and the Insurance Group from time to time. For example: cancellation of payments due to the Solvency Condition relate to the solvency of the Issuer; payments of amounts in respect of the Notes are subject to the Issuer having sufficient Distributable Items; the circumstances in which payments of interest must be cancelled, or redemption of the Notes must be suspended, include (as applicable) breaches of the Solvency Capital Requirement or Minimum Capital Requirement of the Issuer and/or the Insurance Group, circumstances where an Insolvent Insurer Winding-up is occurring with respect to insurance or reinsurance undertakings that form part of the relevant Insurance Group, or other circumstances in which the Relevant Rules or Relevant Regulator applicable to the Issuer and/or the Insurance Group require payments to be cancelled or suspended; and the occurrence of a Trigger Event depends upon the respective Solvency Capital Requirements and Minimum Capital Requirements of the Issuer and the Insurance Group.

As further discussed below, the Issuer and/or the Insurance Group may change while the Notes remain outstanding, which will affect the operation of those features of the Notes which depend upon the identity of the Issuer and the Insurance Group and the Relevant Rules and Relevant Regulator applicable to them.

Substitution of the Issuer

Condition 14 contains provisions which enable the substitution in place of the Issuer of a new principal debtor in respect of the Notes in certain circumstances and without the consent of the Noteholders. These include the substitution in place of the Issuer of a successor in business (as defined in the Conditions) incorporated

anywhere in the world, a new Insurance Group Parent Entity or, in the event of a Newco Scheme, Newco. Any substitute obligor may have a different solvency profile to the Issuer, may have greater or lower Distributable Items out of which to make payments under the Notes, and may be regulated by a different Relevant Regulator and pursuant to different Relevant Rules than the Issuer.

Changes in the Insurance Group Parent Entity and Insurance Group

The definition of 'Insurance Group' under the Notes is relevant for determining (among other things) the applicable Solvency Capital Requirement and Minimum Capital Requirement of the Insurance Group, which in turn are relevant for ascertaining whether payments of interest in respect of the Notes must be cancelled, or redemption of the Notes must be suspended, and whether a Trigger Event has occurred. Such definition of 'Insurance Group' is dynamic, as it depends upon which entity is the Insurance Group Parent Entity (as defined in the Conditions) from time to time. As at the date of this Offering Memorandum, the Insurance Group Parent Entity for the Insurance Group is the Issuer. However, if the Issuer subsequently becomes part of an insurance group in which it is not the Insurance Group Parent Entity (for example, in the event of a group reorganisation, or if the Issuer were to be acquired by another insurance group), the entity within that insurance group which constitutes the highest entity for which supervision of group capital resources or solvency is required pursuant to the Regulatory Capital Requirements under the Relevant Rules will be the Insurance Group Parent Entity. In that case, the Insurance Group would then comprise such new Insurance Group Parent Entity and its Subsidiaries.

Relevant Rules and Relevant Regulator

If, as a result of a substitution of the Issuer as provided above, or in the event of a change of the Insurance Group Parent Entity and thus the Insurance Group (whether or not a substitution of the Issuer also occurs), the Issuer and/or the Insurance Group Parent Entity and/or the Insurance Group may be subject to prudential supervision by a Relevant Regulator other than the PRA and pursuant to Relevant Rules other than the Solvency II regime applicable to the Issuer and the Insurance Group as at the date of this Offering Memorandum. It may also be the case that the Issuer, the Insurance Group Parent Entity and/or the Insurance Group may not be subject to supervision by the same Relevant Regulator, or under the same Relevant Rules, as each other (for example, if the Issuer were to continue to be subject to PRA supervision on a solo basis under the Solvency II regime, while the Insurance Group Parent Entity and Insurance Group are subject to supervision by a different Relevant Regulator under different Relevant Rules). As noted above, certain important features of the Notes – such as when interest payments are required to be cancelled, when redemption of the Notes is required to be suspended, and when a Trigger Event occurs – will depend upon the Relevant Rules applicable to the Issuer and the Insurance Group from time to time. Therefore, any such change in the Relevant Regulator or Relevant Rules applicable to the Issuer and/or the Insurance Group could result in those features of the Notes operating materially differently from the expected operation of those features as at the date of this Offering Memorandum. In addition, the Conditions have been drafted having regard to the features of the Solvency II regime comprising the Relevant Rules applicable to the Issuer and the Insurance Group at the date of this Offering Memorandum, and the requirements under any different Relevant Rules may not directly align with the requirements under the Solvency II regime, which may result in uncertainty as to the operation of certain features of the Conditions. Accordingly, any such change in the Relevant Regulator or Relevant Rules applicable to the Issuer and/or the Insurance Group could adversely affect the rights of the Noteholders under the Notes and/or the market price of the Notes.

In addition, in such event, the Issuer and/or the Notes could become subject to an alternative or additional regime for the recovery and resolution of insurance undertakings and their affiliates, of the sort discussed above under "*The Notes may fall within the scope of bail-in powers if a recovery and resolution regime for insurers is implemented in the UK*". Any action taken pursuant to such a regime, or simply as a result of the Issuer or

the Notes becoming subject to any such regime, could have a material adverse effect on the rights of the holders of the Notes and/or the market price of the Notes.

The Issuer's interests may not be aligned with those of investors in the Notes

The Issuer's satisfaction of the Solvency Condition and the availability of Distributable Items as well as there being no occurrence of a Trigger Event and/or a Capital Disqualification Event will depend in part on decisions made by the Issuer and other entities in the Chesnara Group relating to their businesses and operations, as well as the management of their capital positions.

The Issuer expects to have regard to the interests of all its stakeholders in the management and operation of its business, and the interests of other stakeholders may be opposed to, and take precedence over, the interests of the Noteholders under the Notes. Other entities in the Chesnara Group will have no obligation to consider the interests of Noteholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Chesnara Group and the Chesnara Group's structure. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event or give rise to circumstances in which the Issuer is prohibited from making interest payments on the Notes or redeeming the Notes. It may decide not to propose to its shareholders to reallocate share premium to a distributable reserve account or to take other actions necessary in order for share premium or other reserves or earnings to be included in Distributable Items. Moreover, in order to avoid the use of public resources, the Relevant Regulator may decide that the Issuer should allow a Trigger Event to occur or should cancel an interest payment at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer or any other entity of the Chesnara Group relating to decisions that affect the capital position of the Chesnara Group, regardless of whether they result in the occurrence of a Trigger Event or any requirement on the Issuer to cancel payments of interest or suspend redemption of the Notes. Such decisions could cause Noteholders to lose the full amount of their investment in the Notes.

The interest rate on the Notes will be reset on each Reset Date, which may affect the market value of the Notes

The Notes will initially accrue interest at the Initial Fixed Interest Rate to, but excluding, the First Reset Date. From, and including, the First Reset Date, however, the interest rate will be reset on each Reset Date to the Reset Rate of Interest (as described in Condition 4(e) (*Determination of Reset Rate of Interest*)). This Reset Rate of Interest could be less than the Initial Fixed Interest Rate, which could affect the amount of any interest payments under the Notes and the market value of an investment in the Notes.

As the Notes bear interest at a fixed rate (reset from time to time), an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

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

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

Such redemption may occur (i) at the option of the Issuer on any day falling in the period commencing on (and including) 1 August 2030 and ending on (and including) the First Reset Date or any day falling in the six-month period ending on (and including) any subsequent Reset Date, (ii) at any time in the event of the occurrence of a Tax Event, (iii) at any time following the occurrence of (or if there will occur within the forthcoming period of six months) a Capital Disqualification Event or a Ratings Methodology Event or (iv) at any time if 75 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased and cancelled.

The Issuer shall only be entitled to redeem the Notes upon the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event, if (amongst other conditions) it was reasonable for the Issuer to conclude, judged at the Specified Date, that such event was not reasonably foreseeable.

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

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Furthermore, investors may not be able to predict accurately whether or when a Tax Event, Capital Disqualification Event or Ratings Methodology Event has occurred or may occur.

Variation or substitution of the Notes without Noteholder consent

Subject as provided in Condition 8 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Securities (i) in the event of the occurrence of a Tax Event or (ii) following the occurrence of (or where there will occur within six months) a Capital Disqualification Event. Following the occurrence of (or where there will occur within six months) a Ratings Methodology Event, the Issuer may elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Securities.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Securities and/or Rating Agency Compliant Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Securities and/or Rating Agency Compliant Securities are not materially less favourable to investors than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such variation or substitution (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The Trust Deed also provides that the holders of not less than 75 per cent. in principal amount of the Notes outstanding at the relevant time may pass resolutions in writing or by way of electronic consents given through the clearing systems. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting or, as the case may be, who did not sign the relevant resolution in writing or provide electronic consents, and Noteholders who vote in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree (subject to the Issuer having satisfied the Regulatory Clearance Condition) to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer in each case in the circumstances described in the Conditions.

In the event of any such modification or substitution, the Trustee shall be entitled to agree to amendments of the terms of the Notes and the Trust Deed without the consent of the Noteholders. Such substitution provisions may be used in a variety of circumstances including (without limitation) if there is a successor in business to

the Issuer. Furthermore, if requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason, the Trustee shall (subject to certain conditions) promptly agree, without the consent of the Noteholders, to the substitution, on a subordinated basis equivalent to that referred to in Condition 3 (*Status of the Notes and rights in an Issuer Winding-Up*), of the new Insurance Group Parent Entity (which may or may not be an entity which currently exists or whose identity is currently known) in place of the Issuer (or any previous substitute under Condition 14) as a new principal debtor under the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes. If a Newco Scheme occurs, the Issuer may, without the consent of Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the Issuer. Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

No guarantee would be provided by the Issuer in respect of the Notes following such a substitution, and the claims of Noteholders may be further structurally subordinated to the claims of other creditors of the Insurance Group as a result of such a substitution. See also "*The Issuer and/or Insurance Group may change from time to time, which may affect the operation of the Conditions including as regards the cancellation or suspension of payments of interest and principal and the occurrence of a Trigger Event*".

There can be no assurance that any such substitution will not adversely affect the market value of the Notes or that the Issuer will elect to exercise its right to substitute the Insurance Group Parent Entity in place of the Issuer in respect of all outstanding issuances where the Issuer has the right to do so.

No limitation on the Issuer issuing further securities or incurring other obligations

There is no contractual restriction on the Issuer issuing further securities or incurring other obligations or creating other liabilities ranking equally with or senior to the Notes and no restriction on the amount of securities or other obligations which the Issuer may issue or incur or guarantee (as applicable), which securities, obligations or guarantees rank *pari passu* with or senior to the Notes. The issue, incurrence, guarantee or granting of security in relation to any such other securities, obligations or other liabilities may reduce the amount recoverable (if any) by Noteholders on an Issuer Winding-Up, or may increase the likelihood that the Issuer may elect or be required to cancel payments of interest on the Notes and/or may impact the Issuer's ability to redeem the Notes. In an Issuer Winding-Up and after payment of the claims of their respective more senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders under the Notes.

The terms of the Notes contain very limited covenants

There is no negative pledge in respect of the Notes. The Issuer is generally permitted to sell or otherwise dispose of any or substantially all of its assets to another corporation or other entity under the terms of the Notes. If the Issuer decides to dispose of a large amount of its assets, investors in the Notes will not be entitled to declare an acceleration of the maturity of the Notes, and those assets will no longer be available to support the Notes.

In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Notes.

The Notes are denominated in integral multiples

The Notes have denominations consisting of a minimum principal amount of £200,000 (the "**Specified Denomination**") plus integral multiples of £1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of the Specified Denomination that are not integral multiples of such Specified

Denomination. In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the Specified Denomination in his account with the relevant clearing system at the relevant time would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

Change of law

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

Legal investment considerations may restrict certain investments

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

The Issuer may not be liable to pay certain taxes

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders in respect of payments of interest after the withholding or deduction shall equal the amounts which would have been receivable in respect of interest on the Notes in the absence of such withholding or deduction.

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

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

Risks relating to the market generally

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

The secondary market generally

The Notes may have no trading market when issued and one may never develop. If a market develops, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes as the Notes are publicly traded securities which may from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. Such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Notes are held by a single or limited number of initial investors. If any market in the Notes has developed, or does develop, it may become severely restricted, or may disappear, if the financial condition and/or the solvency position of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes or of a Trigger Event occurring.

Interest rate risk

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

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

Exchange rate risks and exchange controls

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

Credit ratings may not reflect all risks

Given the existing debt in the Chesnara Group, the business is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit rating supplied by Fitch or any other rating agency that may rate the Issuer from time to time. As at the date of this Offering Memorandum, any downgrading of the rating by Fitch or such other relevant rating agency could increase the Chesnara Group's borrowing cost and consequently may weaken its market position. Changes in methodology and criteria used by Fitch or such other relevant rating agency could result in downgrades that do not reflect changes in the general economic conditions or the Issuer's financial condition.

Effect of credit rating reduction

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's outstanding securities by standard statistical rating services. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes. See also the risk factor entitled "*Credit ratings may not reflect all risks*" above.

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

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

While the Notes remain in global form, the Issuer, will discharge its payment obligations under the Notes by making payments to the order of the registered holder as nominee for the common depositary for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Notes held through Euroclear or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes (as defined below) that, save for the text in italics, shall be applicable to the Certificates (as defined below) in definitive form (if any) issued in exchange for the Global Certificate representing the Notes. The full text of these terms and conditions shall be endorsed on the Certificates relating to such Notes. Provisions in italics do not form part of the Conditions (as defined below).

The issue of the £150,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**", and references to a particularly numbered "**Condition**" shall be construed accordingly), unless the context otherwise requires, include any Further Notes issued pursuant to Condition 17) was (save in respect of any such Further Notes) authorised by resolutions of the board of directors of Chesnara plc (the "**Issuer**") passed on 27 July 2025.

The Notes are constituted by a trust deed dated 1 August 2025 (the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Copies of the Trust Deed and of the paying agency agreement dated 1 August 2025 (the "**Agency Agreement**") relating to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression shall include any successor thereto) and Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**", which expression shall include any successor thereto and any additional transfer agents appointed thereunder), as initial agent bank (the "**Agent Bank**", which expression shall include any successor thereto) and as initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the "**Paying Agents**", which expression shall include any successors thereto) (i) are available for inspection by Noteholders at reasonable times during usual business hours at the principal office of the Trustee (presently Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent or (ii) may be provided by email to a Noteholder (following a written request therefor by it) from the Trustee or the Principal Paying Agent, subject in each case to the Noteholder providing evidence of its identity and its holding of Notes satisfactory to, as applicable, the Trustee or the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

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

1 Form, Denomination and Title

(a) Form and Denomination

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

(b) *Title*

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

2 Transfers of Notes and Issue of Certificates

(a) *Transfers*

Subject to Conditions 2(d) and (e), each Note may be transferred (in whole or in part, subject to such transfer being in the minimum denomination of £200,000 or an integral multiple of £1,000 in excess thereof) by depositing the Certificate issued in respect of that Note, together with the form of transfer in respect thereof duly completed and executed at the specified office of the Registrar or a Transfer Agent.

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

(b) *Delivery of new Certificates*

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

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

(c) *Formalities free of charge*

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

(d) *Closed periods*

No Noteholder may require the transfer of a Note (or part thereof) to be registered (i) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption or substituted pursuant to Condition 8 or (ii) during the period of seven days ending on (and including) any Record Date (as defined below).

(e) *Regulations*

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

3 Status of the Notes and rights in an Issuer Winding-Up

(a) *Issuer Winding-Up prior to a Trigger Event*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

The rights and claims of the Noteholders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, immediately prior to commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in such Issuer Winding-Up to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up or administration or any other similar event or procedure of the Issuer over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration or any other similar event or procedure of the Issuer were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(b) *Issuer Winding-Up on or following a Trigger Event*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. If an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the Relevant Regulator has waived Automatic Conversion as contemplated in Condition 6(a), in which case Condition 3(a) shall continue to apply as if such Trigger Event had not occurred), and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, immediately prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would (assuming no Conversion Shares Offer) have been entitled to receive upon an Automatic Conversion in accordance with Condition 6, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable

(and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(c) Trustee's fees

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

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3(a), 3(b), 3(d), 5, 6 or 8.

(d) Solvency Condition

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring, all payments (other than any cash component of the Conversion Shares Offer Consideration, and subject also to Condition 3(c)) under or arising from the Notes or the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no such amount shall be payable under or arising from the Notes or the Trust Deed (including any damages awarded for breach of obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

Any payment of interest that would have been due and payable but for the operation of this Condition 3(d) shall be cancelled.

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

A certificate as to the solvency or lack thereof of the Issuer signed by two Authorised Signatories or, in an Issuer Winding-Up, a director or other duly authorised signatory of the liquidator, administrator or similar official (as the case may be) of the Issuer shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

The Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 13 as soon as reasonably practicable after it has determined that any payment (in whole or in part) will be cancelled due to the operation of the Solvency Condition (provided that, for the avoidance of doubt, any delay in giving, or failure to give, such notice shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed).

(e) Set off, etc.

Subject to applicable law, each Noteholder (which term shall, in this Condition 3(e), include a holder of any beneficial interest in any Note) will, by acceptance of any Note (or any beneficial interest therein), be deemed to have waived and to have directed and authorised the Trustee on its behalf to have waived any right of set-off, compensation, counterclaim or retention that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed whether prior to or in liquidation, winding-up or administration or any other similar event or procedure of the Issuer.

Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder in respect of or arising under the Notes or the Trust Deed are discharged by set-off, compensation, counterclaim or retention, such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator, trustee, receiver or administrator of the Issuer and, until such time as payment is made, will hold a sum equal to such amount on trust for the Issuer or, if applicable, the liquidator, trustee, receiver or administrator in the relevant liquidation, winding-up or administration or any other similar event or procedure occurring in respect of the Issuer. Accordingly, such discharge will be deemed not to have taken place.

4 Interest

(a) Interest Rate and Interest Payment Dates

Subject to Conditions 3(d), 5 and 6, the Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 3(d), 5 and 6, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments (in respect of each Interest Period ending prior to the First Reset Date, of £42.50 per Calculation Amount if paid in full), in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Note for any period (other than any full Interest Period), the relevant day-count fraction will be the number of days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the product of (a) two and (b) the actual number of days in the Interest Period in which the relevant period falls.

(b) Interest Accrual

Subject to Conditions 3(d), 5 and 6, the Notes will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption or substitution thereof pursuant to Condition 8, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue at the applicable Interest Rate on the outstanding principal amount of such Note, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(a) in relation to equal instalments and subject to Conditions 3(d), 5 and 6, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of a Note is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of such Note.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Notes bear interest, subject to Conditions 3(d), 5 and 6, at the rate of 8.500 per cent. per annum (the "**Initial Fixed Interest Rate**").

(d) *Reset Rate of Interest*

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 4 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Reset Reference Rate and the Margin.

(e) *Determination of Reset Rate of Interest*

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Reset Determination Date, subject to receipt from the Issuer of the Gilt Yield Quotations as provided by the Reset Reference Banks (if any), determine the Reset Rate of Interest in respect of the relevant Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) *Publication of Reset Rate of Interest*

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 11 but have not been repaid at the relevant time, the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) *Agent Bank*

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank is set out in the preamble to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank, financial institution or other financial adviser of international repute. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4(e), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution of international repute approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) *Determinations of Agent Bank Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Noteholders and (in the absence of wilful default or gross negligence) no liability to the Noteholders, the Trustee or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5 Cancellation of Interest

(a) Interest Payments Discretionary

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer and is subject to the provisions of Conditions 3(d), 5(b) and 6. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date.

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 3(d), the cancellation of such Interest Payment in accordance with Condition 5(b), the cancellation of interest upon an Automatic Conversion in accordance with Condition 6 or, as appropriate, the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 5(a), and accordingly such interest shall not in any such case be due and payable.

(b) Mandatory Cancellation of Interest

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 5(c), the Issuer shall cancel in full any Interest Payment on the Notes in accordance with this Condition 5 if:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (ii) there is non-compliance with any applicable Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with any applicable Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iii) there is non-compliance with any applicable Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with any applicable Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (v) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules to cancel the relevant Interest Payment,

each of the events or circumstances described in sub-paragraphs (i) to (v) (inclusive) above being a **"Mandatory Interest Cancellation Event"**.

A certificate signed by two Authorised Signatories confirming that (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be

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

(c) *Waiver of Cancellation of Interest Payments by the Relevant Regulator*

Notwithstanding Condition 5(b), the Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made (to the extent permitted by the Relevant Rules) where:

- (i) the Mandatory Interest Cancellation Event is of the type described in sub-paragraph (ii) of Condition 5(b) only;
- (ii) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment (and such waiver has not been withdrawn by the Relevant Regulator);
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (iv) each applicable Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

A certificate signed by two Authorised Signatories confirming that the conditions set out in this Condition 5(c) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(d) *Effect of Cancellation of Interest Payments*

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 5 or which is otherwise not due and payable in accordance with Condition 3(d) or which is cancelled in accordance with Condition 6 shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof (whether in an Issuer Winding-Up or otherwise) and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

(e) *Notice of Cancellation of Interest*

If practicable, the Issuer shall provide notice of any cancellation of any Interest Payment (or any part thereof) pursuant to Condition 5(a) or 5(b) to Noteholders in accordance with Condition 13, and to the Trustee in a certificate signed by two Authorised Signatories, and the Principal Paying Agent and the Registrar in writing, at least five Business Days prior to the relevant Interest Payment Date (or, if the determination that such Interest Payment (or any part thereof) is to be cancelled is made after such fifth Business Day, as soon as is practicable following the making of such determination). However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment (or, as the case may be, the relevant part thereof) or constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

6 Automatic Conversion

(a) Automatic Conversion upon Trigger Event occurring

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

If a Trigger Event has occurred, the Issuer shall:

- (i) immediately inform the Relevant Regulator of the occurrence of the Trigger Event; and
- (ii) (unless the Relevant Regulator has waived Automatic Conversion in exceptional circumstances, as provided below) without delay, give the Trigger Event Notice which notice shall be irrevocable.

Unless the Relevant Regulator has waived Automatic Conversion as aforesaid, immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur and the Issuer shall deliver the Conversion Shares to the Conversion Shares Depositary (or such other relevant recipient as described below) on the Conversion Shares Delivery Date.

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

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer (whether in an Issuer Winding-Up or otherwise) with respect to:

- (i) repayment of the principal amount of the Notes or any part thereof;
- (ii) the payment of any interest on the Notes for any period; or
- (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

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

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

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Authorised Signatories certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee shall rely (without further enquiry and without liability to any person).

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

The release of the principal amount of a Note pursuant to and in accordance with this Condition 6 shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be waived by the Relevant Regulator at any time prior to the occurrence of the relevant Trigger Event if such an Automatic Conversion (taking into account the write-down or

conversion of any other Own Fund Items on or around the same date) would give rise to a tax liability that would have a significant adverse effect on the solvency position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to (i) the cancellation of any Interest Payment or part thereof pursuant to Condition 5 and (ii) the Automatic Conversion of the Notes following the occurrence of a subsequent Trigger Event in respect of which the Relevant Regulator does not grant such a waiver). The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the Relevant Regulator.

Notwithstanding the provisions of this Condition 6(a), an Automatic Conversion may be waived by the Relevant Regulator only in the circumstances permitted by the Relevant Rules at the relevant time. As at the Issue Date, the Relevant Rules permit the Relevant Regulator to waive Automatic Conversion only in certain limited circumstances (being that it was triggered only by limb (c) of the definition of Trigger Event and not by either of limbs (a) or (b) of such definition) where it has received prior to the relevant Trigger Event (i) projections provided by the Issuer and/or the Insurance Group when it submits its recovery plan required by the Relevant Rules, that demonstrate that triggering the principal loss absorbency mechanism in such case would be very likely to give rise to a tax liability that would have a significant adverse effect on the Issuer's and/or the Insurance Group's solvency position; and (ii) a certificate issued by the Issuer's or the Insurance Group's statutory auditors certifying that all of the assumptions used in the projections are realistic.

(b) Conversion Shares Depositary

The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Trigger Event (unless the Relevant Regulator has waived Automatic Conversion in respect of such Trigger Event as contemplated in Condition 6(a)).

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

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall (without prejudice to any Conversion Shares Offer pursuant to Condition 6(c)) hold the Conversion Shares as nominee on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

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

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

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

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

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

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

(c) *Conversion Shares Offer and delivery of Conversion Shares or Conversions Shares Offer Consideration*

Unless at the time of the appointment by the Issuer of the Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions) the Issuer elects that such an offer should not take place (and subject always to applicable law), the Eligible Conversion Shares will be offered by or on behalf of the Conversion Shares Depositary (acting as agent for the Noteholders) to, in the absolute discretion of the Issuer, some or all of the existing shareholders of the Issuer for purchase at the then-prevailing Current Market Price (the "**Conversion Shares Offer**"). The Conversion Shares Offer shall commence within 10 Business Days of and be completed or (in the absolute discretion of the Issuer, or in the circumstances provided in the immediately following sentence) terminated within 40 Business Days of the date of the Automatic Conversion. A Conversion Shares Offer will only be completed (and, accordingly, the Eligible Conversion Shares will only be so purchased by the relevant existing shareholders of the Issuer pursuant to the Conversion Shares Offer) if all of the Eligible Conversion

Shares can be sold via the Conversion Shares Offer; otherwise, the Conversion Shares Offer shall be terminated.

For the purposes of these Conditions, "**Eligible Conversion Shares**" means Conversion Shares which are not subject to an election from the relevant Noteholder as set out in sub-paragraph (B) of the definition of Conversion Shares Offer Consideration.

The purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in Condition 6(b) and in the definition of Conversion Shares Offer Consideration).

The Conversion Shares Depositary shall deliver a notice to the Trustee, any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders setting out the procedures for each Noteholder to receive the Conversion Shares Offer Consideration or (whether following termination or non-commencement of the Conversion Shares Offer or as a result of the operation of sub-paragraph (B) of the definition of Conversion Shares Offer Consideration) the relevant Conversion Shares and the date up to which the Notes shall remain in existence for the sole purpose of evidencing each relevant Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary.

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

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

If any Conversion Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Conversion Shares Delivery Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares and any such cash proceeds from such sale(s) and any cash representing the Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer for its own account unless the Issuer decides, in its sole and absolute discretion, otherwise. The Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

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

Nothing in this Condition 6(c) shall entitle the Issuer to elect that a Conversion Shares Offer be undertaken unless, at least 10 days (or such shorter period as the Relevant Regulator may accept) prior

to making such election, the Issuer has delivered to the Relevant Regulator a properly reasoned, independent tax opinion from an appropriately qualified person, taking into account HM Revenue and Customs' precedent, statements and guidance, to the effect that, under the law applicable at the time of such election, the exercise of the Conversion Shares Offer should not, before the set-off of any prior year losses, be an action that would create a United Kingdom tax charge for the Issuer.

(d) *Adjustments to the Conversion Price*

If the Issuer proposes any Adjustment Event, the board of directors of the Issuer shall (in its sole discretion, acting in good faith) determine and (conditional upon such Adjustment Event occurring) appoint an Independent Adviser to make any adjustment that such Independent Adviser determines is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders. The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of any adjustment to the Conversion Price as soon as practicable following such determination. The Conversion Price shall not in any event be reduced to below the nominal value of an ordinary share of the Issuer at such time. The Issuer further undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by law and regulation.

(e) *Undertakings*

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Relevant Rules from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur):

- (i) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and (unless the Issuer effects a substitution of the Issuer pursuant to Condition 14(b) with effect from the completion of the Scheme of Arrangement) that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Notes may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed. The Trustee shall (at the request and expense of the Issuer) be bound to concur in effecting such amendments, provided that the Trustee shall not be bound to concur if to do so would, in the opinion of the Trustee, (x) expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (y) change, increase or add to the obligations or duties of the Trustee or (z) remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes;
- (ii) use all reasonable endeavours to ensure that the Conversion Shares shall be admitted to listing and trading on the principal stock exchange or securities market (if any) on which the ordinary shares of the Issuer are then listed or admitted to trading;
- (iii) at all times keep available for issue or allotment, free from any pre-emptive or other preferential rights, sufficient ordinary shares to enable the issue of all Conversion Shares as would be necessary to satisfy in full the obligation of the Issuer to issue and deliver Conversion Shares following the occurrence of a Trigger Event; and

- (iv) use all reasonable endeavours to appoint an Independent Adviser promptly if any circumstances arise which, under these Conditions, requires any determination or calculation to be made by an Independent Adviser.

7 Payments

(a) Payments in respect of Notes

- (i) Payments of principal and interest shall be made on the date scheduled for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment (the "**Record Date**"). Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder.
- (ii) Payments of principal and interest due at the time of redemption of the Notes will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.
- (iii) For the purposes of this Condition 7, a Noteholder's registered account means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the Register at the close of business on the date falling two Business Days before the due date for payment.

(b) Payments subject to applicable laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the Issuer or the relevant Paying Agent are subject, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

(d) Payment on Business Days

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

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

(e) Partial payments

If the amount of principal or interest which is scheduled to be paid on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid. With

respect to the amount of any Interest Payment or part thereof, the Registrar shall have regard to the provisions of Condition 5(a).

(f) Agents

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

- (i) at all times maintain a Principal Paying Agent, an Agent Bank, a Registrar and a Transfer Agent; and
- (ii) at all times maintain such other agents as may be required by any stock exchange on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading.

Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

8 Redemption, Substitution, Variation and Purchase

(a) No Redemption Date

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase the Notes in accordance with the following provisions of this Condition 8. The Notes are not redeemable at the option of the Noteholders at any time.

(b) Conditions to Redemption, Substitution, Variation or Purchase

To the extent required pursuant to the Relevant Rules at the relevant time, and save as otherwise permitted pursuant to Condition 8(c), the Issuer may not redeem or purchase (and no Subsidiary of the Issuer may purchase) any Notes unless each of the following conditions is satisfied:

- (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Specified Date, either:
 - (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes and being otherwise permitted under the Relevant Rules; or
 - (2) in the case of any redemption pursuant to Condition 8(g) or 8(h), the Relevant Regulator having confirmed to the Issuer that it is satisfied that each applicable Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) and either:
 - (A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Specified Date; or
 - (B) in the case of any such redemption due to the occurrence of a Capital Disqualification Event, the Relevant Regulator considering that the relevant

change in the regulatory classification of the Notes is sufficiently certain and the Issuer having demonstrated to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable as at the Specified Date;

- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, the Relevant Regulator having confirmed to the Issuer that it is satisfied that each applicable Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (iv) each applicable Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause any applicable Solvency Capital Requirement to be breached;
- (v) each applicable Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause any applicable Minimum Capital Requirement to be breached;
- (vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the Relevant Regulator has waived Automatic Conversion as contemplated in Condition 6(a));
- (vii) no Insolvent Insurer Winding-up has occurred and is continuing; and
- (viii) the Regulatory Clearance Condition is satisfied,

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

Notwithstanding the above requirements of this Condition 8(b), if, at the time of any redemption or purchase, the Relevant Rules permit the redemption or purchase only after compliance with one or more alternative or additional conditions to those set out above, the Issuer shall comply (in the alternative or, as the case may be, in addition to the foregoing, as then required by the Relevant Rules) with such alternative and/or additional condition(s) as are then so required (which shall be deemed to be the "**Redemption and Purchase Conditions**").

If, on the proposed date for any redemption of the Notes, the Redemption and Purchase Conditions are not satisfied, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(c) and 8(d).

If, on the proposed date for any purchase of any Notes, the Redemption and Purchase Conditions are not satisfied, the relevant purchase shall be cancelled (and each Noteholder, by virtue of holding any Note, shall be deemed to have agreed and consented to the cancellation of the relevant purchase agreement).

Any substitution or variation of the Notes pursuant to this Condition 8 shall be subject to the Regulatory Clearance Condition being satisfied in respect thereof and to such substitution or variation otherwise being in compliance with the Relevant Rules at the relevant time.

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

Notwithstanding Condition 8(b), the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where each of the following conditions (or such other conditions as may be imposed by the Relevant Rules at the relevant time) are met:

- (i) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) of Condition 8(b);
- (ii) the Issuer has received prior written permission for such redemption or purchase from the Relevant Regulator (and the Relevant Regulator has not withdrawn its written permission for such redemption or purchase);
- (iii) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes; and
- (iv) each applicable Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Authorised Signatories confirming that the conditions set out in this Condition 8(c) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

(d) *Suspension of Redemption*

The Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with Condition 8(b), provided that if an event occurs or is determined less than five Business Days prior to the date set for redemption that means the Redemption and Purchase Conditions are not met, the Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders as soon as reasonably practicable following the occurrence or determination (as the case may be) of such event (but any delay in giving, or failure to give, such notice shall not affect the suspension of redemption nor constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed).

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 8 as a result of the operation of Condition 8(b) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, then the Issuer shall redeem such Notes at their principal amount outstanding together with any accrued and unpaid interest (to the extent that such amounts of interest have not previously been cancelled pursuant to these Conditions), upon the earlier of:

- (i) the date falling ten Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 8(c) (unless on such tenth Business Day the Redemption and Purchase Conditions are again not met

or the redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met (in each case save for the Redemption and Purchase Condition at sub-paragraph (iv) of Condition 8(b) to the extent waived by the Relevant Regulator under Condition 8(c)), in which case the provisions of Condition 8(b) and this sub-paragraph (i) of this Condition 8(d) will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or

- (ii) the date on which an Issuer Winding-Up occurs (insofar as such Issuer Winding-Up occurs prior to a Trigger Event in respect of which the Relevant Regulator has not waived Automatic Conversion as contemplated in Condition 6(a)).

The Issuer shall notify the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any such date set for redemption pursuant to (i) or (if reasonably practicable in the circumstances) (ii) above.

A certificate signed by two Authorised Signatories confirming that: (i) the Redemption and Purchase Conditions are not met or would cease to be met if the proposed redemption or purchase were to be made; or (ii) the Redemption and Purchase Conditions are met and would continue to be met if the proposed redemption or purchase were to be made (or, if applicable, that the Relevant Regulator has given its permission for the relevant redemption or purchase pursuant to Condition 8(c)), shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

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

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes and any cancellation of any purchases of any Notes in accordance with Condition 8(b) and 8(d) shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Provided that the Redemption and Purchase Conditions are met, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 1 August 2030 and ending on (and including) the First Reset Date or (B) any day falling in the six-month period ending on (and including) any subsequent Reset Date, in each case at their principal amount together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

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

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

Subject to Condition 8(b) and to compliance with the relevant requirements of Condition 8(l), if a Tax Event has occurred and is continuing, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the

Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificate of the two Authorised Signatories referred to in Condition 8(l) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that:

- (1) no such notice shall be given earlier than 90 days prior to the earliest date on which (A) (i) with respect to limb (a) of the definition of Tax Event, the Issuer would be obliged to pay such Additional Amounts; (ii) with respect to limb (b) of the definition of Tax Event, the Issuer would not be able to claim such a deduction or such a deduction is reduced; or (iii) with respect to limb (d) of the definition of Tax Event, the Issuer would not to a material extent be able to have losses or deductions set against the profits or gains in the manner set out therein, in each case were a payment in respect of the Notes then due; or (B) (i) with respect to limbs (c), (e) and (f) of the definition of Tax Event, such change in treatment is effective; or (ii) with respect to limb (g) of the definition of Tax Event, the relevant adverse tax consequence would arise or be suffered; and
- (2) the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser or a nationally recognised accounting firm in the applicable Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in sub-paragraph (1) applies or (where applicable) will apply on the next Interest Payment Date (save that such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence or effect of the relevant Tax Event by taking reasonable measures available to it) and the Trustee shall be entitled to rely on such opinion absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

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

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

Subject to Condition 8(b) and to compliance with the relevant requirements of Condition 8(l), if a Capital Disqualification Event has occurred and is continuing or, as a result of any change to the Relevant Rules (or change in the interpretation of the Relevant Rules by any court or authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificate of the two Authorised Signatories referred to in Condition 8(l) below and in the definition of "Qualifying Securities") agree to such substitution or variation.

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

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

Subject to Condition 8(b) and to compliance with the relevant requirements of Condition 8(l), if a Ratings Methodology Event has occurred and is continuing or, as a result of a change in (or clarification to) the methodology of a Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities, and the Trustee shall (subject to the receipt by it of the certificate of the two Authorised Signatories referred to in Condition 8(l) below and in the definitions of "Qualifying Securities" and "Rating Agency Compliant Securities") agree to such substitution or variation.

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

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

Subject to Condition 8(b) and to compliance with the relevant requirements of Condition 8(l), if at any time 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

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

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

- (i) Subject to Condition 8(b), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 8(g) or 8(h) above or, as the case may be, Rating Agency Compliant Securities pursuant to Condition 8(i) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 8.
- (ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 8 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 8 relates, it shall be entitled without liability to assume that no such event or circumstance exists or has arisen.

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

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i) or 8(j), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that (A) as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing (or, as the case may be, in the case of a Capital Disqualification Event or a Ratings Methodology Event, will occur within a period of six months) or, for the purposes of Condition 8(j), that 75 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 17 will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled as at the date of the certificate and (B) (in the case of a Tax Event, Capital Disqualification Event or Ratings Methodology Event) that it would have been reasonable for the Issuer to conclude, judged at the Specified Date, that the relevant Tax Event, Capital Disqualification Event or Ratings Methodology Event was not reasonably foreseeable.
- (ii) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes pursuant to Condition 8(g), 8(h) or 8(i) unless it has notified the Relevant Regulator in writing of its intention to do so not less than one month (or such other period as may be required by the Relevant Regulator or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective and the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

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

(m) Compliance with stock exchange rules

In connection with any substitution or variation of the Notes in accordance with Condition 8(g), 8(h) or 8(i), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are (at the request or with the consent of the Issuer) for the time being listed or admitted to trading.

(n) Purchases

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

(o) Cancellations

All Notes redeemed or substituted by the Issuer pursuant to this Condition 8, and all Notes purchased and surrendered for cancellation pursuant to Condition 8(n), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(p) Notices Final

Subject to, and without prejudice to, the applicable Redemption and Purchase Conditions and to Condition 8(d), any notice of redemption, substitution or variation as is referred to in this Condition 8 shall, except in the circumstances described in the following paragraph of this Condition 8(p), be irrevocable and on the redemption, variation or (as the case may be) substitution date specified in such notice, the Issuer shall be bound to redeem or, as the case may be, vary or substitute the Notes in accordance with the terms of the relevant Condition.

The Issuer may not give a notice of redemption, substitution or variation of the Notes pursuant to this Condition 8 if a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the Relevant Regulator has waived Automatic Conversion as contemplated in Condition 6(a)). If a Trigger Event occurs after a notice of redemption, substitution or variation has been given by the Issuer but before the relevant redemption, substitution or (as the case may be) variation date, and unless the Relevant Regulator has waived Automatic Conversion (as contemplated in Condition 6(a)) in respect of such Trigger Event prior to the scheduled date for such redemption, substitution or variation (as applicable), such notice of redemption, substitution or variation (as applicable) shall automatically be revoked and be null and void and the relevant redemption, substitution or variation (as applicable) shall not be made or effected and the Notes shall be subject to Automatic Conversion in accordance with Condition 6.

9 Taxation

(a) Payment without withholding

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

withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (i) *Other connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (ii) *Lawful avoidance of withholding*: held by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Certificate is presented for payment; or
- (iii) *Surrender more than 30 days after the Relevant Date*: where (in the case of any interest payable on redemption) the relevant Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or
- (iv) *Any combination*: where such withholding or deduction arises out of any combination of paragraphs (i) to (iii) above.

"Relevant Date" means (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-Up, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in an Issuer Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed or, as the case may be, the analogous time in the event of any other Issuer Winding-Up under sub-paragraph (c) of the definition of "Issuer Winding-Up".

(b) *Additional Amounts*

Any reference in these Conditions to any amounts of interest payable in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or under any undertakings given in addition to, or in substitution for, this Condition 9 pursuant to the Trust Deed.

(c) *FATCA Withholding*

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **"FATCA Withholding"**). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

10 Prescription

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

11 Non-payment of principal when due

(a) Proceedings for an Issuer Winding-Up

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings by the Trustee on behalf of the Noteholders in respect of the Issuer is limited to circumstances where a payment of principal in respect of the Notes by the Issuer under the Conditions or any provision of the Trust Deed has become due and is not duly paid. No amount shall be due from the Issuer in circumstances where payment of principal could not be made in compliance with the Solvency Condition, or on any date on which payment must be suspended in accordance with the provisions of Condition 8, or after a Trigger Event has occurred.

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them, the Trustee at its discretion may, and if so requested by Noteholders of at least one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for the winding-up of the Issuer in England but not elsewhere.

Subject to Condition 6, in the event of an Issuer Winding-Up (whether or not instituted by the Trustee), the Trustee may prove and/or claim in such Issuer Winding-Up, such claim being as provided in, and subordinated in the manner described in, Condition 3(a) or, as applicable, Condition 3(b), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

(b) Enforcement

Without prejudice to Condition 11(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 11(b) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 11(a).

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) Right of Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or administration of the Issuer or to claim and/or prove in any Issuer Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Issuer Winding-Up, fails or is unable to do so for a period of 60 days and such failure and/or inability shall be continuing, in which case the Noteholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, a Noteholder's only rights under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares issued and delivered in accordance with Condition 6 or, if applicable (and subject to the foregoing provisions of this Condition 11) to claim and/or prove in an Issuer Winding-Up in the circumstances, and for the amounts, specified in Condition 3(b).

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, with effect from the Conversion Shares Delivery Date, Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of the Conversion Shares or the Conversion Shares Offer Consideration to which such Noteholders are entitled.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or other Transfer Agent (or any other place notice of which shall have been given in accordance with Condition 13) upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

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

14 Substitution of Issuer

(a) Discretion to agree to substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution, on a subordinated basis equivalent to that referred to in Condition 3, of the successor in business of the Issuer incorporated in any country in the world (the "**Substitute Obligor**") in place of the Issuer (or any previous substitute under this Condition 14) as a new principal debtor under the Trust Deed and the Notes, provided that:

- (i) (without prejudice to the rights of reliance of the Trustee under Condition 14(a)(iii)) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (ii) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, as the principal debtor in place of the Issuer (or of any previous substitute under this Condition 14, as the case may be);
- (iii) two Directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify that the Substitute Obligor is at the time at which the said substitution is proposed to be effected, and will immediately thereafter remain, solvent (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial position, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer (or any previous substitute under this Condition 14));
- (iv) two Directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify to the Trustee that (i) the Substitute Obligor has obtained all necessary governmental and regulatory approvals and consents necessary for its assumptions of the duties and liabilities as Substitute Obligor under the Trust Deed and the Notes in place of the Issuer (or, as the case may be, any previous substitute under this Condition 14) and (ii) such approvals and consents are at the time of substitution in full force and effect (it being declared that the Trustee may rely absolutely on such certification without further enquiry and without liability to any person);
- (v) two Directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify to the Trustee that such substitution will not give rise to a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event (it being declared that the Trustee may rely absolutely on such certification without further enquiry and without liability to any person);
- (vi) (without prejudice to the generality of Condition 14(a)(ii)) the Trustee may, in the event of such substitution, agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes (or any provisions thereof), provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders;
- (vii) the provisions of Condition 6 and the effect thereof, including (without limitation) the rights of Noteholders to receive or direct delivery of Conversion Shares following the occurrence of a Trigger Event, are preserved in all material respects and in such circumstances references to the Conversion Shares shall be to the ordinary shares of the Substitute Obligor;
- (viii) if the Notes are rated (where such rating was assigned at the request of the Issuer) by one or more Rating Agencies immediately prior to such substitution, the Notes shall continue to be rated by

each such Rating Agency immediately following such substitution, and each Rating Agency shall have confirmed that the credit ratings to be assigned by it to the Notes immediately following such substitution are expected to be no less than those assigned to the Notes immediately prior thereto;

- (ix) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or, as the case may be, the addition to, the references in that Condition and in the definitions of Relevant Jurisdiction, Tax Event and Tax Law Change to the Issuer's Territory of references to the Substituted Territory, whereupon the Trust Deed and the Notes will be read accordingly; and
- (x) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholder, as the Trustee may direct.

(b) *Mandatory substitution: Insurance Group Parent Entity Automatic Substitution*

The Trust Deed provides that, if requested by the Issuer and if the Issuer ceases, has ceased or, on the date of the substitution, will cease to be the Insurance Group Parent Entity for any reason (including, without limitation, as a result of, or in connection with, any transaction instigated by the Issuer or any of its shareholders or Subsidiaries or to which the Issuer or any of its shareholders or Subsidiaries is a party), the Trustee shall (subject as provided below in this Condition 14(b), but without any need for the Trustee to be satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders) promptly agree, without the consent of the Noteholders, to the substitution, on a subordinated basis equivalent to that referred to in Condition 3, of the new Insurance Group Parent Entity in place of the Issuer (or any previous substitute under this Condition 14) as a new principal debtor under the Trust Deed and the Notes and to the making of any consequential amendments to the Trust Deed and the Notes which the Issuer may reasonably require in connection therewith, without the requirement to satisfy any conditions other than the conditions which are expressly specified in the Trust Deed, which include that:

- (i) a trust deed is executed or some other form of undertaking is given by the new Insurance Group Parent Entity, in an appropriate form and manner, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments as the Issuer or the new Insurance Group Parent Entity may reasonably require, as fully as if the new Insurance Group Parent Entity had been named in the Trust Deed and in the Notes, as the principal debtor in place of the Issuer (or of any previous substitute under this Condition 14, as the case may be);
- (ii) two Directors (or other officers acceptable to the Trustee) of the new Insurance Group Parent Entity certify that the new Insurance Group Parent Entity is at the time at which the said substitution is proposed to be effected, and will immediately thereafter remain, solvent (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial position, profits or prospects of the new Insurance Group Parent Entity or to compare the same with those of the Issuer (or any previous substitute under this Condition 14));
- (iii) two Directors (or other officers acceptable to the Trustee) of the new Insurance Group Parent Entity certify to the Trustee that (i) the new Insurance Group Parent Entity has obtained all

necessary governmental and regulatory approvals and consents necessary for its assumptions of the duties and liabilities as principal debtor under the Trust Deed and the Notes in place of the Issuer (or, as the case may be, any previous substitute under this Condition 14) and (ii) such approvals and consents are at the time of substitution in full force and effect (it being declared that the Trustee may rely absolutely on such certification without further enquiry and without liability to any person);

- (iv) (without prejudice to the generality of Condition 14(b)(i)) the Trustee shall, if the new Insurance Group Parent Entity is not incorporated in England, and if so requested by the Issuer or the new Insurance Group Parent Entity, agree, without the consent of the Noteholders, to a change in the law governing Condition 3 of the Notes and Clause 2.3 of the Trust Deed so that those provisions are governed by the laws of the jurisdiction in which the new Insurance Group Parent Entity is incorporated;
- (v) either:
 - (A) if the Notes are rated (where such rating was assigned at the request of the Issuer) by one or more Rating Agencies immediately prior to such substitution, the Notes continue to be rated by each such Rating Agency immediately following such substitution, and each Rating Agency having announced (or confirmed in writing to the Issuer or the new Insurance Group Parent Entity) that the credit ratings to be assigned by it to the Notes immediately following such substitution are expected to be no less than those assigned to the Notes immediately prior thereto (and no such announcement or written confirmation indicates that the relevant Rating Agency has placed or expects to place on review with negative implications such rating where the (actual or potential) substitution pursuant to this Condition 14(b) is cited in such announcement or written confirmation as a reason for such placing on review); or
 - (B) if the Notes are not rated by any of the Rating Agencies immediately prior to such substitution (or are so rated but no such rating was assigned at the request of the Issuer), at least one Rating Agency having (upon solicitation by or on behalf of the Issuer or the new Insurance Group Parent Entity) announced (or confirmed in writing to the Issuer or the new Insurance Group Parent Entity) that, immediately following such substitution, it will assign a credit rating to the Notes that is no lower than the then-most recent credit rating assigned (at the request of the Issuer) to the Notes by a Rating Agency;
- (vi) the Issuer having complied with the Regulatory Clearance Condition; the Notes being eligible to count as Tier 1 Capital of the Insurance Group immediately following the substitution; the principal amount of the Notes which is available to count as Tier 1 Capital of the Insurance Group immediately following the substitution being no less than the principal amount of the Notes which is available to count as Tier 1 Capital of the Insurance Group immediately prior to the substitution, the substitution not giving rise to a loss of deductibility on payments of interest, and the Issuer not being in default in respect of any of its payment obligations under these Conditions;
- (vii) the provisions of Condition 6 and the effect thereof, including (without limitation) the rights of Noteholders to receive or direct delivery of Conversion Shares following the occurrence of a Trigger Event, are preserved in all material respects and in such circumstances references to the Conversion Shares shall be to the ordinary shares of the new Insurance Group Parent Entity;
- (viii) the Notes being (or continuing to be): (i) listed on a "recognised stock exchange" for the purposes of section 1005 of the Income Tax Act 2007 or (ii) admitted to trading on a "multilateral trading

facility" operated by an "EEA regulated recognised stock exchange" (within the meaning of section 987 of the Income Tax Act 2007) immediately following the substitution;

- (ix) if the new Insurance Group Parent Entity is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Insurance Group Parent Entity Substituted Territory**") other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the new Insurance Group Parent Entity will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or, as the case may be, the addition to, the references in that Condition and in the definitions of Relevant Jurisdiction, Tax Event and Tax Law Change to the Issuer's Territory of references to the Insurance Group Parent Entity Substituted Territory, whereupon the Trust Deed and the Notes will be read accordingly; and
- (x) two Directors (or other officers acceptable to the Trustee) of the new Insurance Group Parent Entity certify to the Trustee that such substitution will not cause a Capital Disqualification Event, a Ratings Methodology Event or a Tax Event (it being declared that the Trustee may rely absolutely on such certification without further enquiry and without liability to any person).

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution, provided that the Trustee shall not be obliged to co-operate in any such substitution if such substitution or its co-operation in such substitution results, in the Trustee's opinion, in more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes and Trust Deed immediately prior to such substitution.

The Trustee shall be required to accept a certificate from two Authorised Signatories of the Issuer to the Trustee confirming that the conditions to such a substitution are satisfied and the Trustee shall be entitled to rely absolutely on such a certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

For the avoidance of doubt, the substitution provisions described in this Condition 14(b) are separate from, and in addition to, the substitution provisions described in Conditions 14(a) and 14(c). If any circumstances arise which would enable a new Insurance Group Parent Entity to be substituted as principal debtor in place of the Issuer pursuant to more than one such Condition, the Issuer in its sole and absolute discretion may elect which such Condition to apply to any such substitution.

(c) *Mandatory substitution: Newco Scheme*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 14), and upon such substitution the obligations of the Issuer (or the relevant previous substitute) as issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to such substitution, provided that the Trustee shall not be obliged to co-operate in any such substitution if such substitution or its co-operation in such substitution results, in the Trustee's opinion, in more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each

case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes and Trust Deed immediately prior to such substitution.

(d) General

On completion of any substitution pursuant to this Condition 14, all references in these Conditions to the "Issuer" shall be construed as references to (in the case of a substitution pursuant to Condition 14(a)) the Substitute Obligor or (in the case of a substitution pursuant to Condition 14(b)) the Insurance Group Parent Entity or (in the case of a substitution pursuant to Condition 14(c)) Newco.

Any substitution pursuant to this Condition 14 shall be subject to the Issuer having complied with the Regulatory Clearance Condition and such substitution otherwise being effected in accordance with the Relevant Rules.

Any substitution pursuant to this Condition 14 which occurs prior to the fifth anniversary of the Specified Date shall also be subject to the Issuer having complied with Condition 8(b)(i)(1).

Any substitution pursuant to this Condition 14 which occurs (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, shall also be subject to the Issuer having complied with Condition 8(b)(ii).

(e) Notice to Noteholders

The Issuer will give notice of any substitution pursuant to this Condition 14 to Noteholders in accordance with Condition 13 as soon as reasonably practicable following such substitution.

15 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders (including by way of conference call or video conference) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which falls within the proviso to paragraph 3 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding.

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

An Extraordinary Resolution passed at any meeting of the Noteholders, and any written resolution or resolution passed by way of electronic consents as aforesaid, will be binding on all Noteholders, whether or not they are present at the relevant meeting or, as the case may be, whether or not they sign the written resolution or provide electronic consent.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8(g), 8(h) or 8(i) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer (or any previous substitute appointed under Condition 14) pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(e).

(b) Modification, waiver, authorisation and determination

Without prejudice to Conditions 6(e) 8(g), 8(h), 8(i) and 14, the Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 8(g), 8(h) or 8(i) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer (or any previous substitute appointed under Condition 14) pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(e).

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

Subject as provided below, in connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

(d) Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 15 shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

(e) *Regulatory Clearance Condition*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied the Regulatory Clearance Condition.

16 Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification of the Trustee*

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

Nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 3 or Condition 11) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(b) *Trustee contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and/or any entity substituted as principal debtor in place of the Issuer pursuant to Condition 14 and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries and/or any entity substituted as principal debtor in place of the Issuer pursuant to Condition 14, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(c) *Reports and certificates*

The Trust Deed provides that the Trustee may rely and act upon the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant (including the auditors of the Issuer), surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee may also rely and act upon certificates and/or information addressed to it from, or delivered by, two Authorised Signatories of the Issuer, or two Directors or other authorised signatories of any entity substituted as principal debtor in place of the Issuer pursuant to Condition 14, or any one or more directors or authorised signatories of any of the Issuer's or of any such substitute's respective auditors, liquidators, administrators or other insolvency officials. The Trustee will not be responsible to anyone for any liability occasioned by so relying and acting. Any such advice, opinion, information or certificate may be sent or obtained by letter or electronic communication and the Trustee shall not be liable for

acting in good faith on any advice, opinion, information or certificate purporting to be conveyed by such means even if it contains an error or is not authentic.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 3(d), 5, 6 or 8. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with the foregoing.

(d) Trustee may refrain from acting

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

17 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, but subject to the Regulatory Clearance Condition (if then required), create and issue further securities (i) having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest on them and the date from which interest starts to accrue) and so that such further securities shall be consolidated and form a single series with the outstanding Notes ("**Further Notes**"), or (ii) on such other terms as the Issuer may specify. Any Further Notes shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed or a deed supplemental to the Trust Deed.

18 Governing Law and Jurisdiction

(a) Governing law

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

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings and waived any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum for any such Proceedings (but this is without prejudice to the rights of the Trustee or the Noteholders to commence Proceedings in any jurisdiction and/or concurrent Proceedings in one or more jurisdictions to the extent permitted by law).

19 Rights of Third Parties

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

20 Defined Terms

In these Conditions:

"**Additional Amounts**" has the meaning given in Condition 9;

"**Adjustment Event**" means the occurrence or existence at any relevant time of a subdivision, redesignation, consolidation or reclassification of any ordinary shares of the Issuer or a free distribution or dividend of any ordinary shares of the Issuer to existing holders of ordinary shares by way of bonus, capitalisation or similar issue;

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

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

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

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

"**Authorised Signatory**" means any Director of the Issuer or any other person notified to the Trustee as being an Authorised Signatory under the terms of the Trust Deed and "**Authorised Signatories**" means two or more of any such Directors or persons, or any combination thereof;

"**Automatic Conversion**" means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release, with effect immediately following the determination that a Trigger Event has occurred (unless the Relevant Regulator has waived such Automatic Conversion in the circumstances set out in Condition 6(a)), by the Noteholders of all of the Issuer's obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing Conversion Price, the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed;

"**Business Day**" means (i) except for the purposes of Conditions 2 and 7(d), a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London, (ii) for the purposes of Condition 2, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located and (iii) for the purpose of Condition 7(d), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in London and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered;

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

a "**Capital Disqualification Event**" shall be deemed to have occurred if, at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

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

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

"**Conversion Price**" means £1,000 per Conversion Share, subject to adjustment in accordance with Condition 6;

"**Conversion Shares**" means the ordinary shares of the Issuer having (as at the Issue Date) a nominal value of £0.05 each to be issued to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion by the prevailing Conversion Price on the date of the Automatic Conversion, rounded down, if necessary, to the nearest whole number of ordinary shares;

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

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

"**Conversion Shares Offer**" has the meaning given in Condition 6(c);

"**Conversion Shares Offer Consideration**" means, in respect of each Note and as determined by or on behalf of the Conversion Shares Depositary: (A) save where sub-paragraph (B) below applies, the *pro rata* share of the cash proceeds (rounded to the nearest £0.01, with £0.005 being rounded up) from the sale of such Conversion Shares attributable to such Note translated, if necessary, into sterling at a then prevailing rate of exchange on the last day of the Conversion Shares Offer (less any foreign exchange transaction costs) subject to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer; or, as the case may be, (B) if following delivery of the Trigger Event Notice and prior to the commencement of the Conversion Shares Offer, a Noteholder duly gives notice to the Conversion Shares Depositary that it elects to receive the relevant Conversion Shares such that they are not eligible for inclusion in the Conversion Shares Offer, the Conversion Shares attributable to such Note (rounded down, if necessary, to the nearest whole number of Conversion Shares);

"**Current Market Price**" means, in respect of a Conversion Share on any date (the "**CMP Date**"), (a) the average of the daily volume weighted average prices of an ordinary share of the Issuer on each of the five consecutive dealing days immediately preceding the CMP Date, as published by or derived from Bloomberg page HP (or any successor page) (using the setting "Weighted Average Line" or any successor setting) in respect of such ordinary shares or, if such price is not available from Bloomberg, such other source as shall be determined in good faith to be appropriate by the Conversion Shares Depositary or (b) if the ordinary shares of the Issuer are not admitted to trading on the London Stock Exchange or (in the sole determination of the Conversion Shares Depositary) another regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA at such time, the fair market value of an ordinary share of the Issuer as determined in good faith by an Independent Adviser on the basis of a commonly accepted market valuation method and

taking account of such factors as it considers appropriate, including the market price per ordinary share (if any), the dividend yield of an ordinary share, the volatility of such market price (if any) and prevailing interest rates;

"Directors" means the directors of the Issuer or of any entity substituted as principal debtor in place of the Issuer pursuant to Condition 14 (as the case may be) from time to time;

"Distributable Items" means, subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus
- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date;

"Distributable Profits" has the meaning given to such term under section 736 of the Companies Act, or (where any entity substituted as principal debtor in place of the Issuer pursuant to Condition 14 is not a United Kingdom company) the relevant provision under the law of the jurisdiction of incorporation of the Issuer or (in each case) any equivalent or replacement provision;

"EEA" means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

"Eligible Conversion Shares" has the meaning given to it in Condition 6(c);

"Exempt Newco Scheme" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are admitted to trading on the London Stock Exchange's regulated market (for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) or such other regularly operating, internationally recognised stock exchange as nominated by the Issuer or Newco;

"Existing Shareholders" has the meaning ascribed to it in the definition of Newco Scheme;

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

"First Reset Date" means 1 February 2031;

"Further Notes" has the meaning given to it in Condition 17;

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

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

"Initial Fixed Interest Rate" has the meaning given in Condition 4(c);

"Initial Fixed Rate Interest Period" means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

"Insolvent Insurer Winding-up" means:

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking; or
- (c) any other event or procedure analogous to that described in paragraphs (a) or (b) of this definition (including, if applicable, any special insolvency procedure or special administrative procedure pursuant to any applicable regime for the recovery and resolution of insurance firms and their affiliates) which has the effect of a winding-up or liquidation of any Group Insurance Undertaking,

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

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

"Insurance Group Parent Entity" means the Issuer or any Subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group or other financial group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules) pursuant to the Regulatory Capital Requirements in force from time to time (and which, as at the Issue Date, is the Issuer);

"Insurance Group Parent Entity Substituted Territory" has the meaning given to it in Condition 14;

"insurance undertaking" has the meaning given in the Relevant Rules;

"Interest Payment" means, in respect of any Interest Payment Date, the amount of interest which is (or would, but for cancellation in accordance with these Conditions, be) due and payable on such Interest Payment Date;

"Interest Payment Date" means 1 February and 1 August in each year, commencing on 1 February 2026;

"Interest Period" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

"Interest Rate" means the Initial Fixed Interest Rate and/or the applicable Reset Rate of Interest, as the case may be;

"Issue Date" means 1 August 2025;

"Issuer" has the meaning given in the preamble to these Conditions;

"Issuer's Territory" has the meaning given to it in Condition 14;

"Issuer Winding-Up" means:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, (A) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business of the Issuer in accordance with the provisions of Condition 14); or

- (b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer; or
- (c) the liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (a) or (b) of this definition occurring in respect of the Issuer (including, if applicable, any special insolvency procedure or special administrative procedure pursuant to any applicable regime for the recovery and resolution of insurance firms and their affiliates) which has the effect of a winding-up or liquidation of the Issuer;

"Liabilities" means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited balance sheet of the Issuer but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine;

"London Stock Exchange" means the London Stock Exchange plc;

"Mandatory Interest Cancellation Event" has the meaning given to such term in Condition 5(b);

"Margin" means 4.429 per cent.;

"Minimum Capital Requirement" means the Minimum Capital Requirement of the Issuer, the minimum consolidated group Solvency Capital Requirement of the Insurance Group or any other minimum capital requirement relating (whether on a solo, group or consolidated basis) to the Issuer or the Insurance Group (as applicable) referred to in the Relevant Rules;

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

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

"Noteholder" has the meaning given in Condition 1(b);

"Notes" has the meaning given in the preamble to these Conditions;

"Notional Preference Shares" has the meaning given to such term in Condition 3(b);

"Own Fund Items" means any own fund item referred to in the Relevant Rules;

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

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

"Proceedings" has the meaning given in Condition 18(b);

"Qualifying Securities" means securities issued by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue or, as appropriate, variation of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which comply with the then current requirements of the Relevant Rules in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon, redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to the fifth anniversary of the Specified Date except in circumstances analogous to those referred to in Condition 8(g), 8(h), 8(i) or 8(j) of the Notes; (5) contain terms providing for the cancellation and/or suspension of payments of interest or principal only if such terms are not materially less favourable to an investor than the cancellation and/or suspension provisions, respectively, contained in the terms of the Notes and (6) preserve any existing rights under these Conditions to any accrued interest which has accrued to Noteholders but not been paid (but without prejudice to any right of the Issuer subsequently to cancel any such rights so preserved in accordance with the terms of the Qualifying Securities); and
- (c) are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market or are listed and/or admitted to trading on such other regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA as selected by the Issuer and approved by the Trustee;

"Rating Agency" means each of Fitch Ratings Limited, Moody's Investors Service Limited and S&P Global Ratings UK Limited and any of their respective affiliates or successors;

"Rating Agency Compliant Securities" means securities which are (i) Qualifying Securities and (ii) assigned substantially the same "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower "equity credit" (provided such "equity credit" is still higher than the "equity credit" assigned to the Notes by the Relevant Rating Agency or its predecessor immediately after the occurrence of the Ratings Methodology Event) as that which was (i) first assigned to the Notes by the Relevant Rating Agency or its predecessor (whether on or around the Issue Date or thereafter) or (ii) (if this is lower) assigned to the Notes by the Relevant Rating Agency or its predecessor on the issue date of, or in connection with this issue of, any Further Notes issued pursuant to Condition 17, and provided that a certification to such effect signed by two Authorised Signatories shall have been delivered to the Trustee prior to the issue or, as appropriate, variation of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof);

A **"Ratings Methodology Event"** will be deemed to occur if, at any time, there occurs a change in (or clarification to) the methodology of any Rating Agency (the **"Relevant Rating Agency"**) (or in the interpretation by that Rating Agency of such methodology) after the Specified Date as a result of which the "equity credit" (or such other nomenclature as may be used by the Relevant Rating Agency from time to time

to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by the Relevant Rating Agency to the Notes is, as notified by the Relevant Rating Agency to the Issuer or as published by the Relevant Rating Agency, reduced when compared to (a) the "equity credit" first assigned by the Relevant Rating Agency or its predecessor to the Notes (whether on or around the Issue Date or thereafter) or (b) (if this is lower) the lowest "equity credit" assigned by the Relevant Rating Agency or its predecessor to the Notes on the issue date of, or in connection with the issue of, any Further Notes pursuant to Condition 17 (where, in each case, any such "equity credit" was assigned following solicitation by, or with the co-operation of, the Issuer);

"Record Date" has the meaning given to such term in Condition 7(a);

"Redemption and Purchase Conditions" has the meaning given to such term in Condition 8(b);

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

"Registrar" has the meaning given in the preamble to these Conditions;

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

"Regulatory Clearance Condition" means, in respect of any proposed act on the part of the Issuer, the Relevant Regulator having approved, granted permission for, consented to, or provided a non-objection to (and not having withdrawn its approval, permission, consent or non-objection to), such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the Relevant Regulator, the Relevant Rules or any other applicable rules of the Relevant Regulator at the relevant time);

"reinsurance undertaking" has the meaning given in the Relevant Rules;

"Relevant Date" has the meaning given in Condition 9(a);

"Relevant Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject to tax in respect of payments made by it of principal and/or interest on the Notes;

"Relevant Rating Agency" has the meaning given in the definition of "Ratings Methodology Event" in this Condition 20;

"Relevant Regulator" means the UK Regulator or, if the UK Regulator at any time ceases to be the regulator having primary supervisory authority with respect to prudential matters in relation to the Issuer, the Insurance Group and/or the Insurance Group Parent Entity, such other regulator which assumes such primary supervisory authority;

"Relevant Rules" means, at any time, any legislation, rules, regulations or published requirements or regulatory expectations of the Relevant Regulator (whether having the force of law or otherwise) then applying to the Issuer, the Insurance Group Parent Entity or the Insurance Group relating to own funds, capital resources, capital requirements, financial adequacy requirements, recovery and resolution or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules, regulations or published requirements or regulatory expectations of the Relevant Regulator relating to such matters; and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they

apply to Tier 1 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules notwithstanding the occurrence of a Capital Disqualification Event;

"Reset Date" means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

"Reset Determination Date" means, in respect of a Reset Period, the second Business Day prior to the first day of such Reset Period;

"Reset Period" means the period from (and including) the First Reset Date to (but excluding) the next Reset Date, and each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"Reset Rate of Interest" has the meaning ascribed to it in Condition 4(d);

"Reset Reference Banks" means five brokers of gilts and/or gilt-edged market makers selected by the Issuer in its sole discretion;

"Reset Reference Rate" means, in respect of a Reset Period, the percentage rate (rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) determined by the Agent Bank on the basis of the Gilt Yield Quotations provided (upon request by or on behalf of the Issuer) by the Reset Reference Banks to the Issuer at approximately 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period. The Issuer shall provide any such Gilt Yield Quotations so obtained to the Agent Bank. If at least four quotations are provided, the Reset Reference Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, such rate as is equal to the Initial Rate of Interest minus the Margin, where:

"Benchmark Gilt" means, in respect of a Reset Period, such United Kingdom government security which would be utilised in accordance with customary financial practice in pricing new issuances of corporate debt securities denominated in sterling and of a comparable tenor to the relevant Reset Period and having an actual or interpolated maturity date on or about the last day of such Reset Period, as selected by the Issuer on the advice of an investment bank or financial adviser of international repute; and

"Gilt Yield Quotations" means, with respect to a Reset Reference Bank and a Reset Period, the arithmetic mean of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of that Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank on a dealing basis for settlement on the next following dealing day in London;

"Scheme of Arrangement" has the meaning ascribed to it in the definition of Newco Scheme;

"Senior Creditors" means creditors of the Issuer:

- (a) whose claims are unsubordinated, including the claims of all policyholders (if any) or beneficiaries under contracts of insurance or reinsurance (if any) of the Issuer (and for these purposes, the claims of policyholders and beneficiaries under a contract of insurance or reinsurance shall include all amounts to which such policyholders and beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which such policyholders or beneficiaries may have);

- (b) whose claims upon issue constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital or Tier 3 Capital of the Issuer or the Insurance Group; and
- (c) whose claims are, or are expressed by their terms to be, subordinated (whether only in the event of an Issuer Winding-Up or otherwise) to the claims of other creditors of the Issuer, other than those (i) whose claims upon issue constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital of the Issuer or the Insurance Group or (ii) whose claims otherwise rank, or are expressed by their terms to rank, *pari passu* with, or junior to, the claims of the holders in respect of the Notes in an Issuer Winding-Up occurring prior to a Trigger Event;

"**Solvency II**" means (i) the Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as amended, and any delegated act, regulatory technical standards or implementing standards thereunder, as they each form part of, or are given effect to in, United Kingdom domestic law, as amended from time to time by the laws of the United Kingdom, (ii) any additional measures adopted to give effect thereto which are in effect in the United Kingdom (whether implemented by way of legislation, rules, regulations, guidance, expectations of the Relevant Regulator or otherwise) and (iii) any legislation, rules, regulations, guidance or expectations of the Relevant Regulator which amend, modify, re-enact or replace (i) and/or (ii) in the United Kingdom;

"**Solvency Capital Requirement**" means the solvency capital requirement of the Issuer or the group solvency capital requirement of the Insurance Group referred to in the Relevant Rules (howsoever described or defined in the Relevant Rules) or any other solvency capital requirement, group solvency capital requirement or any other equivalent capital requirement relating (whether on a solo, group or consolidated basis) to the Issuer or the Insurance Group (other than the Minimum Capital Requirement) howsoever described or defined in the Relevant Rules;

"**Solvency Condition**" has the meaning given in Condition 3(d);

"**Specified Date**" means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 17;

"**sterling**" or "**£**" means the lawful currency of the United Kingdom from time to time;

"**Subsidiary**" has the meaning given to that term under section 1159 of the Companies Act;

"**Substitute Obligor**" has the meaning given in Condition 14(a);

"**Substituted Territory**" has the meaning given to it in Condition 14;

"**successor in business**" means, in relation to the Issuer (or any previous substitute under Condition 14), any body corporate which, as a result of any amalgamation, merger, reconstruction, asset acquisition or transfer, or agreement, beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Issuer (or by a previous substitute under Condition 14) prior to such amalgamation, merger, reconstruction, asset acquisition or transfer, or agreement coming into force and carries on as successor to the Issuer (or a previous substitute under Condition 14), the whole or substantially the whole of the business carried on by the Issuer (or a previous substitute under Condition 14) immediately prior thereto;

a "**Tax Event**" is deemed to have occurred if:

- (a) as a result of a Tax Law Change, in making any payments of interest on the Notes, the Issuer will or would on the next payment date be required to pay Additional Amounts; or

- (b) as a result of a Tax Law Change, the Issuer is no longer entitled to claim a deduction in respect of any payments of interest in respect of the Notes in computing its taxation liabilities or the amount of such deduction is reduced in the Relevant Jurisdiction; or
- (c) as a result of a Tax Law Change, the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes; or
- (d) as a result of a Tax Law Change, in respect of any payment of interest, the Issuer would not to any material extent be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or
- (e) as a result of a Tax Law Change, the Notes or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes; or
- (f) as a result of a Tax Law Change, the Issuer would be subject to a tax liability in a Relevant Jurisdiction, or the receipt of income or profit would be subject to tax in a Relevant Jurisdiction, if a Trigger Event or an Automatic Conversion were to occur; or
- (g) as a result of a Tax Law Change, the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction,

and, in any such case, the Issuer could not avoid the foregoing by taking measures reasonably available to it;

"Tax Law Change" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment (x) (subject to (y)) becomes (or will become) effective on or after the Specified Date, or (y) in the case of a change in law, is (or will be) enacted on or after the Specified Date;

"Tier 1 Capital" has the meaning given to such term by the Relevant Rules from time to time;

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

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

"Tier 1 Own Funds" means subordinated notes (or other subordinated obligations), ordinary shares or any other share capital of any class which, in any such case, constitute Tier 1 Capital for the purposes of the Issuer or the Insurance Group, whether on a solo, group or consolidated basis;

"Transfer Agent" has the meaning ascribed to it in the preamble to the Conditions;

a **"Trigger Event"** shall occur if at any time:

- (a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement of the Issuer or the Insurance Group is equal to or less than 75 per cent. of such Solvency Capital Requirement;
- (b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement of the Issuer or the Insurance Group is equal to or less than such Minimum Capital Requirement; or

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

"Trigger Event Notice" means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Noteholders, in accordance with Condition 13, the Trustee, the Registrar, the Principal Paying Agent and the Relevant Regulator, and which shall state with reasonable detail (i) the nature of the relevant Trigger Event, (ii) the basis of its calculation, (iii) the prevailing Conversion Price, (iv) the relevant Conversion Shares Delivery Date (which may be a date prior to or following the date of the Trigger Event Notice), (v) details of the Conversion Shares Depositary, (vi) details of the Conversion Shares Offer (if one is to occur) and (vii) details of how to give notices required or permitted by these Conditions to the Conversion Shares Depositary;

"Trust Deed" has the meaning given in the preamble to these Conditions;

"Trustee" has the meaning given in the preamble to these Conditions; and

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The following provisions apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions.

1 Relationship of Accountholders with Clearing Systems

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

2 Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of the subsidiaries of the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and shall be duly endorsed (for information purposes only) on the schedule to the Global Certificate.

3 Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made to or to the order of the registered holder of the Global Certificate. Upon payment of any principal or interest, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to the Global Certificate.

Principal and interest shall be payable in accordance with the Conditions, save that the calculation of interest will be made in respect of the total aggregate principal amount of the Notes represented by the Global Certificate.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent required by the Registrar, to the cash accounts of participants in Euroclear, Clearstream, Luxembourg or any Alternative Clearing System in accordance with the relevant clearing system's rules and procedures.

All payments in respect of the Notes whilst they are represented by the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday (inclusive) except 25 December and 1 January.

4 Meetings

The registered holder of the Global Certificate shall be treated as having one vote in respect of each £1.00 in principal amount of Notes represented by the Global Certificate. The Trustee may allow to attend and speak (but not to vote unless such person is a proxy or a representative) at any meeting of Noteholders any

accountholder (or the representative of any such person) of a clearing system with an interest in the Notes represented by the Global Certificate on confirmation of entitlement and proof of his identity.

5 Notices

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of a clearing system, notices to Noteholders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant clearing system for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Noteholder will be given by such Noteholder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the Trustee and the relevant clearing system may approve for this purpose.

6 Exchange

Owners of beneficial interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual Certificates if Euroclear, Clearstream, Luxembourg or any Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar and the Transfer Agent for completion, authentication and despatch to the relevant Noteholders within 14 days following a request therefor by the registered holder of the Global Certificate. A person with an interest in the Notes represented by the Global Certificate must provide the Registrar and the Transfer Agent with (A) a written order containing instructions and other such information as the Issuer, the Transfer Agent and the Registrar may require to complete, execute and deliver such Certificates; and (B) a certificate to the effect that such person is not transferring its interest in the Global Certificate.

7 Transfer

Notes represented by the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

8 Trustee's Powers

In considering the interests of Noteholders, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (A) have regard to such information as may have been made available to it by or on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (B) consider such interests on the basis that such accountholders were the holders of the Notes represented by the Global Certificate.

9 Enforcement

For the purposes of enforcement of the provisions of the Trust Deed, the persons named in a certificate of the holder of the Notes represented by the Global Certificate shall be recognised as the beneficiaries of the trusts

set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

10 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting which is a special quorum resolution), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent. The Principal Paying Agent shall confirm the result of voting on any Electronic Consent in writing to the Issuer and the Trustee (in a form satisfactory to the Trustee) (which confirmation may be given by email), specifying (as of the deadline for the Electronic Consent): (i) the outstanding principal amount of the Notes and (ii) the outstanding principal amount of the Notes in respect of which consent to the resolution has been given in accordance with this provision. The Issuer and the Trustee may rely and act without further enquiry on any such confirmation from the Principal Paying Agent and shall have no liability or responsibility to anyone as a result of such reliance or action. The Trustee shall not be bound to act on any Electronic Consent in the absence of such a confirmation from the Principal Paying Agent in a form satisfactory to it; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EasyWay or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to be used by the Issuer for its general corporate purposes, including investments and acquisitions.

INFORMATION ON THE CHESNARA GROUP

Information on Chesnara and the Chesnara Group's business

The section headed "*Part X - Information on Chesnara plc*" of the Equity Prospectus (save for: (i) the first paragraph immediately preceding the sub-section headed "*I – Introduction*"; and (ii) the sub-section headed "*5 – Recent Developments*"), as incorporated by reference into and thereby forming part of this Offering Memorandum, sets out a description of the Issuer and the Chesnara Group's business. See section headed "*Documents incorporated by reference*" for further information.

Prospective investors should read the above-mentioned section as incorporated by reference into this Offering Memorandum in conjunction with the information contained elsewhere in this Offering Memorandum (including information incorporated by reference in this Offering Memorandum). Financial information included in the above-mentioned section has been extracted from the 2024 Annual Report and the 2023 Annual Report.

Recent Developments

Acquisition of HSBC Life (UK)

On 3 July 2025, Chesnara announced that it had reached agreement on the terms of the proposed acquisition (the "**Acquisition**") of HSBC Life (UK) Limited ("**HSBC Life (UK)**") from HSBC Bank plc ("**HSBC Bank**") and intends to finance the proposed acquisition by way of a combination of utilising existing cash resources, drawing down on the Chesnara Group's amended and restated increased revolving credit facility agreement ("**Amended RCF**") and a rights issue of ordinary shares of the Company (the "**Rights Issue**").

The HSBC Life (UK) business being acquired focuses on providing investment products through its onshore investment bond offering, and a range of protection products focused on term, critical illness and income protection. The business operates both open and closed portfolios and products are currently distributed through HSBC Bank's internal channels as well as external distributors. As at 31 December 2024, HSBC Life (UK) recorded a pre-tax profit of £73.3 million in 2024, the business had approximately 454,000 policies, 234 employees, approximately £4 billion of assets under administration, £314 million of Eligible Solvency II Own Funds, a SCR of £210 million and Solvency Coverage Ratio of 149%.

The Acquisition will provide Chesnara with significantly greater scale in the United Kingdom and is a strong fit with the Chesnara Group's stated strategy. The purpose of the Rights Issue is to raise capital to support the Acquisition as part of establishing an optimal financing structure, comprising use of existing cash, drawdown of the Amended RCF and equity from the proposed Rights Issue, to align with the Chesnara Group's financing framework and to support additional mergers and acquisitions in the future.

Please refer to the sub-sections headed "*2.1 – Strategy*", "*2.2 – Reasons for Acquisition*" and "*2.3 – Impact of the Acquisition*" in the section headed "*Part VII – Letter from the Chair*" of the Equity Prospectus, which are incorporated by reference in and form part of this Offering Memorandum.

Rights Issue

On 3 July 2025, Chesnara launched the Rights Issue to raise capital to support the Acquisition as part of a financing structure, comprising the use of existing cash, drawdown of the Amended RCF and equity raised from the Rights Issue. The Rights Issue raised gross proceeds of £140 million by way of a rights issue of 79,539,337 New Ordinary Shares. The results of the Rights Issue were announced and dealings in the New Ordinary Shares on the London Stock Exchange plc's main market for listed securities commenced on 23 July 2025.

Other developments

Since the publication of the 2024 Annual Report, the following key developments have taken place:

- The merger of Scildon NV and Waard in the Netherlands has received portfolio transfer approval from the Dutch National Bank and completed on 2 July 2025.
- Subject to regulatory approval, Scildon NV has agreed to transfer its collective pension portfolio to Allianz. The transfer is expected to complete in quarter three of 2025.

Unaudited pro forma financial information for the Enlarged Group

The unaudited pro forma IFRS income statement and unaudited pro forma IFRS statement of net assets of the Enlarged Group (together, the "**Unaudited Pro Forma IFRS Financial Information**") set out in the section headed "*Part XV - Unaudited Pro Forma Financial Information for the Enlarged Group and Accountant's Report*" of the Equity Prospectus (as incorporated by reference into and thereby forming part of this Offering Memorandum), have been prepared for illustrative purposes only and on the basis of the notes set out therein. The unaudited pro forma IFRS income statement has been prepared to illustrate the effect on the earnings of the Chesnara Group as if the proposed Acquisition and the associated financing had taken place on 1 January 2024.

The unaudited pro forma IFRS statement of net assets has been prepared to illustrate the effect on the net assets of the Chesnara Group as if the proposed Acquisition and the associated financing had taken place on 31 December 2024. The Unaudited Pro Forma IFRS Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Chesnara Group's or the Enlarged Group's actual financial position or results. The Unaudited Pro Forma IFRS Financial Information is stated on the basis of the IFRS accounting policies to be adopted by the Chesnara Group in preparing its consolidated financial statements for the year ending 31 December 2025.

Please refer to "*Part XV - Unaudited Pro Forma Financial Information for the Enlarged Group and Accountant's Report – Part A: Unaudited Pro Forma Financial Information and Part B – Accountant's Report*" of the Equity Prospectus (save for: (i) the first two paragraphs under the sub-section headed "*Part A – Unaudited Pro Forma Financial Information*"; and (ii) any reference to "*which are incorporated into this Prospectus by reference*", "*Part XII (Historical Financial Information of Chesnara plc)*", "*Part XIII (Historical Financial Information of HSBC Life (UK))*" and "*set out in Appendix 1 (HSBC Life (UK) Limited's Financial Statements together with the Audit Reports) of this document*"), which is incorporated by reference into and thereby forming part of this Offering Memorandum.

Dividend Policy

Supported by the strong financial profile of the Acquisition, there will be a step-up in the Chesnara Group's dividend trajectory. The final FY25 dividend and interim FY26 dividend is expected to be increased by 6%, representing a one-year acceleration in the Chesnara Group's recent historic track record of 3% per annum increases.

The FY24 interim dividend was 8.6 pence and final dividend was 16.1 pence resulting in a total dividend of 24.7 pence. Following the rights issue of 79,539,337 Ordinary Shares and a discount of 30.4% to the theoretical ex-rights price ("**TERP**"), the adjusted dividend per share ("**DPS**") for FY24 would have been 21.3 pence (interim dividend of 7.4 pence and final dividend of 13.9 pence), increasing to 22.3 pence for FY25 (interim dividend of 7.6 and final dividend of 14.7) and the interim DPS for FY26 is expected to increase to 8.1, reflecting the one-year acceleration described above.

Overview of bonus factor calculation

Metric	Value	Key	Calculation
FY24 weighted average number of shares ("WAV")	151 million	A	-
Shares outstanding pre-Rights Issue	151 million	B	-
Share price (2 July 2025)	293.50 pence	C	-
Market capitalisation (2 July 2025)	£444 million	D	B x C
Rights Issue ratio	10 for 19	E	-
Shares issued from Rights Issue	79,539,337	F	B x E
Subscription price for New Ordinary Shares	176 pence	G	-
Amount raised (gross proceeds)	c.£140 million	H	F x G
Market cap post Rights Issue	£584 million	I	D + H
TERP	252.98 pence	J	I / (B + F)
Bonus factor	1.16	K	C / J
FY24 WAV adjusted for bonus factor	175 million	L	A x K
FY24 dividends	£37 million	M	-
FY24 DPS (adjusted for bonus factor)	21.3 pence	N	M / L

Overview of Chesnara Group DPS trajectory

The Chesnara Group DPS is presented in the table below. Post-transaction assumes that 79,539,337 million New Ordinary Shares are issued pursuant to the Rights Issue with a subscription price representing a discount of 30.4% to TERP. The bonus factor of 1.16 is based on latest share price of 293.50 pence compared to TERP of 252.98 pence. The adjusted FY24 DPS is 21.3 pence after taking into account the bonus factor.

Chesnara Group DPS						
	FY24 actual	FY24 re-stated post transaction	FY25 post transaction	Annual change (FY 25 vs. FY 24)	FY26 post transaction	Annual Chage (FY26 vs. FY25)
Interim dividend	8.6 pence	7.4 pence	7.6 pence	+3.0%	8.1 pence	+6.0%
Final dividend	16.1 pence	13.9 pence	14.7 pence	+6.0%	-	-
Total dividend	24.7 pence	21.3 pence	22.3 pence	+5.0%	-	-

Board of Directors

The directors of the Issuer and their principal functions within Chesnara, together with a brief description of their principal business activities outside Chesnara, are set out below. The business address of each of the directors of the Issuer (in such capacity) is 2nd Floor, Building 4, West Strand, Preston, Lancashire, PR1 8UY.

Name	Position
Luke Savage	Chair
Steve Grant Murray	Group Chief Executive Officer
Tom Howard	Group Chief Financial Officer
Carol Jungmin Hagh	Senior Independent Director
Gail Louise Tucker	Independent Non-Executive Director
Eamonn Michael Flanagan	Independent Non-Executive Director
Samantha Tymms	Independent Non-Executive Director

Directorships and partnerships outside of Chesnara

The details of those companies and partnerships outside of Chesnara of which the directors of the Issuer are currently directors, partners or have business interests, are as follows:

Name	Current directorships/ business interests
Luke Savage	Liontrust Asset Management Plc Bancroft's School Numis Securities Limited Numis Corporation Limited
Steven Murray	Cattanach – a private charity (Chair) CASFS Ltd Countrywide Assured Life Holdings Limited Countrywide Assured Services Limited Movestic Livförsäkring AB Scildon NV (Supervisory Board)
Tom Howard	N/A
Carol Hagh	Countrywide Assured plc Old Game New Rules Ltd
Gail Tucker	Countrywide Assured plc Breast Cancer Now (Trustee)
Eamonn Flanagan	AJ Bell plc Movestic Livförsäkring AB (Chair)
Samantha Tymms	Julius Baer International Ltd (non-executive director)

Conflicts of interest

Save for their capacities as persons legally and beneficially interested in Ordinary Shares, there are no actual or potential conflicts of interest between the duties owed by the directors of the Issuer and their private interests and/or other duties that they may also have.

Major shareholders

As at 2 July 2025, the eight largest shareholders in the Issuer were as follows:

Name of shareholder	Total number of ordinary shares held	Percentage of the issued share capital
Aberdeen plc	26,410,406	17.48*
Columbia Threadneedle Investments	17,839,143	11.81
Hargreaves Lansdown Asset Mgt	13,748,381	9.10
M&G Investments	8,700,317	5.76
Royal London Asset Mgt	5,631,863	3.73
Janus Henderson Investors	5,227,132	3.46
Dimensional Fund Advisors	4,557,161	3.02
Halifax Share Dealing	4,532,487	3.00

*Of the total Aberdeen plc shareholding of 17.48% (as at 30 May 2025), 8.36% is held by Interactive Investor.

Material contracts outside ordinary course of business

Share Purchase Agreement

The section headed "*Part XVII - Additional Information – 9. Material Contracts – 9.1 Chesnara – 9.1.1 Share Purchase Agreement*" of the Equity Prospectus, as incorporated by reference into and thereby forming part of this Offering Memorandum, sets out a description of the Share Purchase Agreement entered into by Chesnara in connection with the Acquisition. See section headed "*Documents incorporated by reference*" for further information.

Solvency and capital position

The solvency and capital position of the Chesnara Group and the pro forma position of the Enlarged Group is set out below.

Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR")

	FY24 for Chesnara Group	FY24 Pro forma for Enlarged Group
Tier 1 (£m).....	485	637

	FY24 for Chesnara Group	FY24 Pro forma for Enlarged Group
Tier 2 & Tier 3 (£m)	158	244
Eligible own funds to meet Solvency Capital Requirement (£m)	643	881
Solvency Capital Requirement (£m)	316	520
Solvency ratio (%)	203	169
Eligible own funds to meet Minimum Capital Requirement (£m)	508	663
Minimum Capital Requirement (£m)	113	130

Pro forma headroom to Trigger Event for the Enlarged Group

SCR trigger: 75% of the pro forma SCR for the Enlarged Group (FY24) is equal to £390 million, providing a pro forma surplus of £491 million for the Enlarged Group.

MCR trigger¹: the pro forma MCR for the Enlarged Group (FY24) is £130 million, providing a pro forma surplus of £533 million for the Enlarged Group.

SCR breach unresolved: the pro forma SCR for the Enlarged Group (FY24) is £520 million, providing a pro forma surplus of £361 million for the Enlarged Group.

Leverage Ratio

	FY24 for Chesnara Group	FY24 Pro forma for Enlarged Group
Total debt (£m)	201	266
Total equity (£m)	314	458
Contractual Service Margin ("CSM") (£m) ⁽¹⁾	135	208
Equity + CSM (£m)	449	665
Leverage Ratio (%) ⁽²⁾	31	29

Note:

(1) Net of tax

(2) Being total debt / (total debt + total equity + CSM)

Further information in relation to the solvency and capital position of the Chesnara Group is provided in the Issuer's 2024 SFCR (see "*Documents Incorporated by Reference*").

¹ Calculated using the lower bound, high level pro forma estimate.

In addition, consistent with the Issuer's current acquisition strategy, it actively continues to assess prospective investment and acquisition opportunities, including potential near- and medium-term transactions. However, there can be no assurance as to whether or when any such transactions may proceed. The Issuer intends that, if it were to proceed with any such transaction, it would seek to maintain a Solvency II capital coverage ratio of the enlarged Chesnara Group following such transaction within or above the Chesnara Group's normal operating range of 140%-160%.

TAXATION

The following is a general description of certain UK tax considerations relating to the Notes, as well as a description of FATCA. It is not intended as tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. It relates to the position of persons who are the absolute beneficial owners of the Notes and who hold the notes as investments, and some aspects do not apply to certain classes of taxpayer (such as Noteholders who are connected or associated with the Issuer for relevant tax purposes). The statements in this section do not constitute tax or legal advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

United Kingdom

General

The comments in this part are of a general nature and are not intended to be exhaustive. They are based on current United Kingdom ("UK") tax law as applied in England and Wales and published HM Revenue & Customs practice, in each case as at the date of this Offering Memorandum. There can be no assurance that HM Revenue & Customs will apply its published practice, and both law and practice may be subject to change, sometimes with retrospective effect. The comments assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). Further, they relate only to certain material UK withholding taxation matters at the date hereof in relation to payments of principal and interest (as that term is understood for UK tax purposes) in respect of the Notes. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. 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 UK.

Payments of Interest

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or an EEA regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

The GEM of Euronext Dublin is a multilateral trading facility operated by an EEA regulated recognised stock exchange (the Irish Stock Exchange (trading as Euronext Dublin)) for these purposes. Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs

under domestic law or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Other considerations

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" (including an intermediary through which the Notes are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments until two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a subscription agreement dated 30 July 2025 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

United States

The Notes and the Conversion Shares into which they may convert have not been and will not be registered under the Securities Act or the securities laws 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 Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all of the Notes, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

UK

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Prohibition on Marketing and Sales of Notes to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Prohibition on Marketing and Sales of Notes to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under the SFO.

Japan

Each Joint Lead Manager has acknowledged that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act 129 of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and accordingly each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, each Joint Lead Manager has represented, and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not

circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; or
- (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

No action has been or will be taken in any country or any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it shall comply (to the best of its knowledge and belief) in all material respects with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes the Offering Memorandum or any such other material relating to the Notes, in all cases at its own expense. The Issuer and the other Joint Lead Managers will have no responsibility for, and each Joint Lead Manager has agreed to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Joint Lead Manager has been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained or incorporated by reference in this Offering Memorandum or any amendment or supplement to it.

GENERAL INFORMATION

General

1. It is expected that listing of the Notes on the Official List of Euronext Dublin and admission of the Notes to trading on the GEM will be granted on or around 1 August 2025, subject only to the issue of the Global Certificate. Transactions will normally be effected for delivery on the second working day after the day of the transaction.
2. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the GEM.
3. The Issuer has obtained all necessary consents, approvals and authorisations in the UK, in connection with the issue and performance of the Notes. The issue of the Notes has been authorised by resolutions of the board of directors of the Issuer passed on 27 July 2025.
4. The yield to (but excluding) the First Reset Date of the Notes is 8.500 per cent. per annum, calculated on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the Issue Price and on the assumption (solely for the purpose of calculating the yield) that no payments of interest are cancelled (in whole or in part) under the Conditions. It is not an indication of future yield.
5. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

No Significant Change and No Material Adverse Change

6. Since 31 December 2024, there has been no significant change in the financial or trading position of the Issuer and/or the Chesnara Group.
7. Since 31 December 2024, there has been no material adverse change in the prospects of the Issuer.

Documents on Display

8. For so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the GEM, electronic copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the specified offices of the Issuer:
 - (a) the Agency Agreement and Trust Deed (which includes the form of the Global Certificate);
 - (b) the constitutional documents of the Issuer;
 - (c) the Equity Prospectus;
 - (d) the 2024 Annual Report and the 2023 Annual Report;
 - (e) the Target 2024 Annual Report and the Target 2023 Annual Report;
 - (f) a copy of this Offering Memorandum; and
 - (g) the 2024 SFCR.
9. The Offering Memorandum will also be available on the website of Euronext Dublin at: <https://www.euronext.com/en/markets/dublin>.

Auditor

10. Deloitte LLP ("**Deloitte**"), registered auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council, the consolidated financial statements of the Issuer, for the years ended 31 December 2023 and 31 December 2024.

Litigation

11. 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 12 month period preceding the date of this Offering Memorandum which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Chesnara Group.

Joint Lead Managers transacting with the Issuer

12. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. 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 Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Joint Lead Managers and/or their affiliates may receive allocations of Notes (subject to customary closing conditions), which could affect future trading of the Notes. Certain of the Joint Lead Managers or 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 Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Security Codes

13. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) is XS3124392633, the common code is 312439263, the Financial Instrument Short Name (FISN) and the Classification of Financial Instruments (CFI) will be as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. The Legal Entity Identifier (LEI) of the Issuer is 213800VFRMBRTSZ3SJ06.

The ordinary shares of the Issuer are listed on the Official List of the FCA and trade on the London Stock Exchange under the symbol "CSN". The ISIN for the ordinary shares of the Issuer is GB00B00FPT80. Information about the past and future performance of the ordinary shares of the Issuer and their volatility can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

THE ISSUER

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