

**CERTIFICATE**

**BANK OF IRELAND (UK) PLC**

*(incorporated in England and Wales with limited liability with registered number 7022885)*

**£200,000,000**

**Subordinated Perpetual Contingent Conversion Additional Tier 1 Capital Securities**

**Certificate No. 1**

This Certificate certifies that THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND (the **Registered Securityholder**) is, as at the date hereof, registered as the holder of £200,000,000 in principal amount of the Subordinated Perpetual Contingent Conversion Additional Tier 1 Capital Securities (the **Securities**) of Bank of Ireland (UK) plc (the **Issuer**). The Securities are subject to the Terms and Conditions (the **Conditions**) endorsed hereon. Expressions defined in the Conditions have the same meanings in this Certificate.

The Issuer, for value received, promises to pay to, or to the order of, the Registered Securityholder (subject to surrender of this Certificate if no further payment falls to be made in respect of such Securities) all amounts of principal, interest and any other amounts which become due and payable on the Securities represented by this Certificate, on such dates as the same become payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

The Issuer certifies that the Registered Securityholder is, at the date hereof, entered in the register of Securityholders (the **Register**) as the holder of the Securities represented by this Certificate. This Certificate is evidence of entitlement only. Title to the Securities represented by this Certificate passes only on due registration of transfer of title on the Register. Only the Registered Securityholder is entitled to payments in respect of the Securities represented by this Certificate.

**IN WITNESS** whereof the Issuer has caused this Certificate to be executed as a deed on its behalf.

Dated 1 May 2015

**EXECUTED AS A DEED BY THE AFFIXING OF THE COMMON SEAL OF**

**BANK OF IRELAND (UK) PLC**

in the presence of

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*Director*

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*Director/Secretary*

**FORM OF TRANSFER OF SECURITIES**

**FOR VALUE RECEIVED** the undersigned sell(s), assign(s) and transfer(s) to:

.....  
.....  
.....

*(Please print or type name and address (including postal code) of transferee)*

£..... *(insert nominal amount)* of Securities represented by this Certificate and all rights under this Certificate in respect of such transferred Securities, irrevocably constituting and appointing Bank of Ireland (UK) plc as attorney to transfer such nominal amount of Securities in the Register maintained by or on behalf of Bank of Ireland (UK) plc with full power of substitution.

Signature(s) .....

.....

Date: .....

**NOTE:**

1. This form of transfer must be accompanied by such documents, evidence and information as may be required pursuant to the Conditions endorsed on the Certificate to which this form of transfer relates and must be executed under the hand of the transferor or, if the transferor is a corporation, this form of transfer must be executed either under its common seal or under the hand of two of its officers duly authorised in writing and, in the latter case, the document so authorising the officers must be delivered with this form of transfer.
2. The signature(s) on this form of transfer must correspond with the name(s) as it/they appear(s) on the face of this Certificate in every particular, without alteration or enlargement or any change whatever.

*The following are the Terms and Conditions of the Securities*

## **TERMS AND CONDITIONS OF THE SECURITIES**

The £200,000,000 Subordinated Perpetual Contingent Conversion Additional Tier 1 Capital Securities (the **Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further Securities issued pursuant to Condition 15 which are consolidated and form a single series with the Securities) are issued by Bank of Ireland (UK) plc (the **Issuer**).

### **1. FORM, DENOMINATION AND TITLE**

#### **1.1 Form and denomination**

The Securities are in registered form and are available and transferable in minimum principal amounts of £200,000 and integral multiples of £1,000 in excess thereof. A certificate (a **Certificate**) will be issued to each Securityholder in respect of its registered holding of Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders (the **Register**) which the Issuer will keep or procure to be kept on its behalf.

#### **1.2 Title**

Title to the Securities passes only by registration in the Register. The holder of any Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (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 **Securityholder** and (in relation to a Security) **holder** means the person in whose name a Security is registered in the Register (or, in the case of a joint holding, the first named thereof).

### **2. TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES**

#### **2.1 Transfers**

Subject as provided in Condition 2.4, a Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Issuer together with such evidence as the Issuer may reasonably require to prove title to the Securities that are the subject of the transfer and the authority of the individuals who have executed the form of transfer. Legal title to the Securities will pass upon registration of such transfer in the Register.

#### **2.2 Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Securities will, within five business days of receipt by the Issuer of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Security to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in London.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the principal amount of Securities not so transferred will, within 10 business days of receipt by the Issuer of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Securities not so transferred to the address of such holder appearing on the Register (or, in the case of a joint holding, the first named thereof).

#### **2.3 Formalities free of charge**

Registration of transfer of Securities will be effected without charge by or on behalf of the Issuer but upon payment (or the giving of such indemnity as the Issuer may reasonably require) in respect of any tax or other governmental charges which may be imposed on the Issuer in relation to such transfer.

## 2.4 Closed periods

No Securityholder may require the transfer of a Security to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Security.

## 3. STATUS AND SUBORDINATION

### 3.1 Status

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

### 3.2 Subordination

On a Winding-Up prior to the occurrence of a Trigger Event, the rights and claims of Securityholders in respect of their Securities shall be subordinated as provided in Condition 4.1 and accordingly shall rank:

- (a) junior to the claims of Senior Creditors;
- (b) *pari passu* among themselves and with any claims ranking, or expressed to rank, *pari passu* with the claims in respect of the Securities (together, **Parity Obligations**); and
- (c) senior to all claims in respect of the ordinary shares of the Issuer and any other claims ranking, or expressed to rank, junior to the claims in respect of the Securities or any Parity Obligations.

### 3.3 Solvency Condition

Other than in a Winding Up, payments in respect of or arising from (including any damages awarded for breach of any obligation under) the Securities are, in addition to the right or obligation of the Issuer to cancel payments under Condition 5.1 and Condition 8.1(a), conditional upon the Issuer being solvent at the time of payment by the Issuer and no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the **Solvency Condition**). Any Interest Amount which is not paid as a result of the Solvency Condition shall be cancelled.

In these Conditions, the Issuer shall be considered to be solvent at a particular time if (1) the Issuer is able to pay its debts to its Senior Creditors as they fall due and (2) the Issuer's Assets exceed its Liabilities. A report as to the solvency of the Issuer by two Directors of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer and the Securityholders as correct and sufficient evidence thereof.

### 3.4 No set-off

Subject to applicable law, no Securityholder may exercise or claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Securities and each Securityholder will, by virtue of their holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

## 4. WINDING-UP

### 4.1 Winding-Up prior to a Trigger Event

In the event of a Winding-Up prior to the occurrence of a Trigger Event, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in this Condition 4.1), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer (**Notional Preference Shares**) ranking *pari passu* as to a return of assets on a Winding-Up with the claims in respect of Parity Obligations and the holders of that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in the Winding-Up 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 Securityholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon and any damages awarded for breach of any obligations.

### 4.2 Winding-Up on or after the occurrence of a Trigger Event

In the event of a Winding-Up concurrently with or after the occurrence of a Trigger Event, and where Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in this Condition 4.2), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of such number of Ordinary Shares as that Securityholder would have been entitled to receive upon Conversion of its Securities in accordance with Condition 8.1(c).

## 5. INTEREST

### 5.1 Cancellation of interest

#### (a) *Mandatory cancellation*

To the extent required to do so under then prevailing Regulatory Capital Requirements, the Issuer will cancel any Interest Amount otherwise scheduled to be paid on an Interest Payment Date to the extent that such Interest Amount, when aggregated together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current financial year on all other own funds items of the Issuer (excluding any such interest payments or distributions paid or made on Tier 2 Capital items or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items), exceeds the amount of the Distributable Items of the Issuer as at such Interest Payment Date.

In addition, by acquiring a Security each holder acknowledges that the Issuer will also be required to cancel any Interest Amount otherwise scheduled to be paid on an Interest Payment Date if and to the extent that payment of such Interest Amount would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD IV Directive, as amended or replaced), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded. **Maximum Distributable Amount** means any applicable maximum distributable amount relating to the Issuer required to be calculated in accordance with Article 141 of the CRD IV Directive (or, as the case may be, any provision of applicable law transposing or implementing the CRD IV Directive, as amended or replaced).

The Issuer shall be responsible for determining compliance with the restrictions above.

#### (b) *Discretionary cancellation*

The Issuer may elect at its full discretion to cancel (in whole or in part) the Interest Amount otherwise scheduled to be paid on an Interest Payment Date. Notice of any cancellation of payment of a scheduled Interest Amount must be given to Securityholders (in accordance with Condition 13) and each stock exchange on which the Securities are, for the time being, listed or admitted to trading (if any) as soon as possible on or prior to the relevant Interest Payment Date (provided that any failure to give such notice shall not affect the cancellation of any Interest Amount in whole or in part by the Issuer and shall not constitute a default for any purpose).

(c) *No default*

The cancellation of any Interest Amount in accordance with Condition 3.3, Condition 8.1(a) or this Condition 5.1 shall not constitute a default for any purpose on the part of the Issuer. For the avoidance of doubt, interest payments are non-cumulative and the Securityholders shall have no right to any cancelled Interest Amount on a Winding-Up or otherwise.

## 5.2 Interest Rate and Interest Payment Dates

Subject to Conditions 3.3, 5.1 and 8.1(a), the Securities bear interest on their outstanding principal amount:

- (a) from and including the Issue Date to but excluding 1 May 2020 (the **First Reset Date**), at the rate of 7.8750 per cent. per annum (the **Initial Interest Rate** which, for the avoidance of doubt, is the sum of (i) the Margin and (ii) the semi-annual mid-swap rate with a term of five years which appeared on the Screen Page as of 11:15 a.m. (London time) two Business Days prior to the Issue Date, converted from a semi-annual to an annual basis in a commercially reasonable manner); and
- (b) thereafter, at the relevant Reset Interest Rate,

in each case, payable annually in arrear on 1 May of each year, commencing on 1 May 2016 (each an **Interest Payment Date**). 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 succeeding Interest Payment Date is called an **Interest Period**.

## 5.3 Calculation of interest

When interest is required to be calculated in respect of any period, the relevant day-count fraction (the **Day-Count Fraction**) shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

Interest in respect of any Security shall, subject as provided below, be calculated per Calculation Amount. The amount of interest payable (subject to Conditions 3.3, 5.1 and 8.1(a)) in respect of a Security for a relevant period shall be calculated by (i) determining the product of the Calculation Amount, the relevant Interest Rate and the Day-Count Fraction for the relevant period, (ii) rounding the resultant figure to the nearest penny (half a penny being rounded upwards) and (iii) multiplying that rounded figure by a fraction the numerator of which is the principal amount of such Security and the denominator of which is the Calculation Amount. Provided, however, that if and for so long as all Securities outstanding are represented by a single Certificate, interest shall be calculated on the entire principal amount of the Securities and not per Calculation Amount.

## 5.4 Reset Interest Rate

- (a) The **Reset Interest Rate** in respect of any Reset Period will be the sum of the 5-year Mid-Swap Rate in relation to that Reset Period and the Margin, converted from a semi-annual to an annual basis in a commercially reasonable manner, all as determined by the Issuer (or by an agent acting

upon the request of the Issuer) at approximately 11.00 a.m. (London time) on the Reset Determination Date.

- (b) In these Conditions (except where otherwise defined), the expression:
- (i) **5-year Mid-Swap Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period:
    - (A) the semi-annual mid-swap rate with a term of five years which appears on the Screen Page as of 11:00 a.m. (London time) on such Reset Determination Date; or
    - (B) if such rate does not appear on the Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date;
  - (ii) **5-year Mid-Swap Rate Quotations** means the arithmetic mean of the bid and ask rates for the semi-annual fixed leg (calculated on an Actual/365 (Fixed) day count basis) of a fixed-for-floating Sterling interest rate swap which:
    - (A) has a term of five years commencing on the relevant Reset Date;
    - (B) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
    - (C) has a floating leg based on 6-month LIBOR rate (calculated on an Actual/365 (Fixed) day count basis);
  - (iii) **Business Day** means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;
  - (iv) **Margin** means 6.3825 per cent. per annum;
  - (v) **Reset Determination Date** means, in relation to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;
  - (vi) **Reset Reference Bank Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Issuer (or its appointed agent) at approximately 12:00 p.m. (London time) on such Reset Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the 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 quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Period will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, an amount equal to the Initial Interest Rate less the Margin;
  - (vii) **Reset Reference Banks** means six leading swap dealers in the interbank market selected by the Issuer (or its appointed agent) (excluding the Issuer or any of its affiliates) in its discretion; and

- (viii) **Screen Page** means Bloomberg page “BPSW5 ICPL Curncy” or such other page as may replace it on Bloomberg or, as the case may be, on such other information service that may replace Bloomberg, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate.

## **5.5 Notification of Reset Interest Rate**

The Issuer shall give notice of each Reset Interest Rate to each stock exchange on which the Securities are, for the time being, listed or admitted to trading (if any) and to be notified to Securityholders in accordance with Condition 13 as soon as possible after its determination, but in no event later than the second business day in London following the relevant Reset Date. Each Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

## **5.6 Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reset Reference Banks (or any of them) or the Issuer (or its appointed agent), will (in the absence of manifest error or bad faith) be binding on the Issuer and all Securityholders.

## **5.7 Interest accrual**

Each Security will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue on the outstanding principal amount at the prevailing Interest Rate (determined in accordance with this Condition 5) until payment is made in full.

## **6. PAYMENTS**

### **6.1 Payments in respect of Securities**

Payments of principal and interest in respect of each Security will be by cheque, by transfer to the registered account of the Securityholder (being a sterling account maintained by or on behalf of it with a bank that processes payments in sterling and notified by the relevant Securityholder to the Issuer) or otherwise as agreed between the Securityholders and the Issuer from time to time.

### **6.2 Payments subject to applicable laws**

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

### **6.3 No commissions**

No commissions or expenses shall be charged to the Securityholders in respect of any payments made in accordance with this Condition 6.

### **6.4 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



and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the Issuer.

Securityholders 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, if the Securityholder is late in surrendering or presenting its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

## **6.5 Partial Payments**

If the amount of principal or interest which is due on the Securities is not paid in full, the Issuer will annotate the register of Securityholders with a record of the amount of principal or interest in fact paid.

## **7. REDEMPTION AND PURCHASE**

### **7.1 No fixed redemption date**

The Securities 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 them in accordance with the following provisions of this Condition 7.

### **7.2 Redemption at the option of the Issuer**

The Issuer may, in its sole discretion but subject to Condition 7.6, having given not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 13 (which notice shall, subject to Condition 7.6, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on the First Reset Date or on any Interest Payment Date thereafter at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the date of redemption.

### **7.3 Redemption for regulatory reasons**

If at any time a Capital Disqualification Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 7.6, having given not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 13 (which notice shall, subject to Condition 7.6, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the date of redemption.

A **Capital Disqualification Event** shall occur if, as a result of any change (or pending change which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Securities under the Regulatory Capital Requirements that the Issuer demonstrates to the satisfaction of the Supervisory Authority was not reasonably foreseeable as at the Issue Date, the Securities are (or would be) fully excluded from the Issuer's Tier 1 Capital.

### **7.4 Redemption for tax reasons**

If at any time a Tax Event has occurred and is continuing, the Issuer may, in its sole discretion but subject to Condition 7.6, having given not less than 30 nor more than 60 days' notice to Securityholders in accordance with Condition 13 (which notice shall, subject to Condition 7.6, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at their principal amount together with interest accrued and unpaid from and including the immediately preceding Interest Payment Date up to but excluding the date of redemption.

A **Tax Event** shall occur if, as a result of any change in the laws, regulations or government policies of the United Kingdom or any political subdivision or authority thereof or therein, or any change in the interpretation by any competent court or tribunal or in the official application or generally published interpretation of any such laws, regulations or government policies having effect after the Issue Date, such change being material and which the Issuer demonstrates to the satisfaction of the Supervisory Authority was not reasonably foreseeable as at the Issue Date:

- (a) the Issuer has paid, or would on the next Interest Payment Date be required to pay, Additional Amounts in respect of the Securities;
- (b) the Issuer is not or would not be entitled to claim a deduction in computing its taxable profits and losses in respect of interest payable on the Securities, or such a deduction is or would be reduced or deferred;
- (c) the Issuer is not or would not be able to treat the Securities as loan relationships for the purposes of Part 5 of the Corporation Tax Act 2009;
- (d) the Issuer treats or would be required to treat any part of the Securities as an embedded derivative for tax purposes, or the Issuer otherwise is or would be required to take changes in or re-estimates of the value of the Securities or any part of the Securities, or of the present value of the cashflows arising in respect of the Securities or any part of the Securities, into account in computing its taxable profits and losses;
- (e) the Issuer would be required to bring into account any amount of income, profit or gain or other tax credit or taxable item for tax purposes, or any other liability to tax would arise, in respect of the write-down of the Securities, the conversion of the Securities into Ordinary Shares or both; or
- (f) the Issuer will not or would not, as a result of the Securities being in existence, 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 grouped for applicable tax purposes (whether under the United Kingdom group relief system current as at the date hereof or any similar system or systems having like effect as may from time to time exist); or
- (g) the Issuer will or would incur any other taxation liability or liabilities in relation to the Securities,

provided that the consequences of such event cannot be avoided by the Issuer taking reasonable measures available to it.

## **7.5 Purchases**

The Issuer or any of its Subsidiaries may, at its option but subject to Regulatory Approval, purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise at any time in accordance with the then prevailing Regulatory Capital Requirements.

## **7.6 Conditions to redemption**

Any redemption under Conditions 7.2, 7.3 or 7.4 is subject to obtaining Regulatory Approval and compliance with the Regulatory Preconditions. In addition, if the Issuer has elected to redeem the Securities and:

- (a) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption; or
- (b) prior to the redemption, a Trigger Event occurs,

the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Securityholders in accordance with Condition 13 as soon as practicable.

## **7.7 Cancellations**

All Securities which are redeemed by the Issuer pursuant to this Condition 7 will be cancelled. All Securities purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, cancelled.

## **7.8 Notices final**

Upon the expiry of any notice as is referred to in Condition 7.2, 7.3 or 7.4, the Issuer shall be bound (subject only to Condition 7.6) to redeem the Securities to which the notice refers in accordance with the terms of such paragraph.

# **8. CONVERSION**

## **8.1 Conversion on a Trigger Event**

If a Trigger Event occurs at any time, the Issuer shall immediately notify the Supervisory Authority of the occurrence of the Trigger Event and, without delay and by no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of the relevant Trigger Event:

- (a) the Issuer shall cancel any interest which is accrued and unpaid up to (and including) the Conversion Date (whether or not such interest has become due for payment);
- (b) the Issuer shall irrevocably (without the need for the consent of Securityholders) write down the Securities by reducing the principal amount of each Security to zero; and
- (c) the Issuer shall issue to or to the order of each Securityholder on the Conversion Date such number of Ordinary Shares as is equal to the aggregate principal amount of that Securityholder's Securities divided by £1.00 (the **Conversion Price**) and rounded down (if necessary) to the nearest whole number of Ordinary Shares (such write down under Condition 8.1(b) and issue of Ordinary Shares under this Condition 8.1(c) being together referred to as a **Conversion** and **Converted** shall have a corresponding meaning).

The Issuer shall, as soon as reasonably practicable following its determination that a Trigger Event has occurred, and in any event not more than 5 days following such determination (provided that later notice shall not constitute a default under the Securities for any purpose or affect the Conversion of the Securities on the Conversion Date), give notice (which notice shall be irrevocable) to the Securityholders in accordance with Condition 13 (the **Conversion Notice**) stating: (i) that the Trigger Event has occurred; (ii) the Conversion Date; (iii) the Conversion Price; and (iv) the procedures Securityholders will need to follow to receive Ordinary Shares pursuant to Condition 8.1(c).

Fractions of Ordinary Shares will not be delivered in connection with any Conversion and no cash payment or other adjustment will be made in lieu thereof, whether on a Winding-Up or otherwise.

## **8.2 Consequences of a Conversion**

Once the principal amount of a Security has been written down pursuant to Condition 8.1(b), it will not be restored in any circumstances, including where the Trigger Event ceases to continue.

A write down of the Securities under Condition 8.1(b) shall be deemed effective with effect from the Conversion Date and without the requirement for any further formality. Such irrevocable write-down of the Securities and cancellation of interest shall be independent of the obligation of the Issuer to issue the Ordinary Shares to Securityholders under Condition 8.1(c) and, accordingly, shall be effective as of the

Conversion Date whether or not the Ordinary Shares to be issued to Securityholders under Condition 8.1(c) are so issued on the Conversion Date. The Issuer will issue to or to the order of Securityholders on the Conversion Date such number of Ordinary Shares as is required under Condition 8.1(c) to be issued to Securityholders. If the Issuer fails to issue such Ordinary Shares, or there is any delay in the issue or delivery of such Ordinary Shares to any Securityholder, the only right of the Securityholders in respect of such failure or delay will be to claim against the Issuer to have such Ordinary Shares so issued to it (or, in a Winding-Up, to prove in such Winding-Up as if such Ordinary Shares had been so issued to it).

The Securityholders shall be deemed to have waived all rights and claims in respect of the principal amount by which the Securities are written down and shall be deemed irrevocably to have directed and authorised the Issuer to apply such amount to paying up the fully-paid Ordinary Shares to be delivered to or to the order of the Securityholders.

In order to obtain delivery of Ordinary Shares pursuant to Condition 8.1(c), Securityholders will be required to deliver the Certificate representing their Securities to the Issuer.

The Issuer will maintain all corporate authorities necessary to issue and allot a sufficient number of Ordinary Shares pursuant to this Condition 8.2.

The Securities are not convertible into Ordinary Shares at the option of the Securityholders at any time.

### **8.3 Taxes etc.**

The Issuer shall not be liable for any taxes or capital, stamp, issue, registration or transfer taxes or duties arising on Conversion or that may arise or be paid as a consequence of the delivery of Ordinary Shares upon Conversion. A Securityholder must pay any taxes and capital, stamp, issue, registration and transfer taxes and duties arising for it on Conversion as a consequence of any disposal or deemed disposal of its Securities (or any interest therein) and/or the issue or delivery to it of any Ordinary Shares (or any interest therein).

### **8.4 Delivery**

The Ordinary Shares to be delivered on Conversion will be issued and delivered to each Securityholder in certificated form at the registered address of such Securityholder or otherwise as agreed between the Issuer and the relevant Securityholder.

The Ordinary Shares will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary 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 (iii) to the CREST account of such a person described in (i) or (ii).

### **8.5 Ordinary Shares**

Ordinary Shares issued upon Conversion will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments as of any applicable record date or other due date for the establishment of entitlement for which falls prior to the Conversion Date.

## **9. TAXATION**

### **9.1 Payment without withholding**

All payments by or on behalf of the Issuer in respect of the Securities 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 (**Taxes**) imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. If any such withholding or deduction for or on account of any Taxes is required by law, the Issuer will pay such additional amounts (**Additional Amounts**) as may be necessary in order that the net amounts received by the Securityholders after the withholding or deduction shall equal the amounts which would have been receivable in respect of the Securities in the absence of any withholding or deduction, except that no additional amounts shall be payable in relation to any payment in respect of any Security:

- (a) held by or on behalf of a Securityholder who is liable to such Taxes in respect of such Security by reason of it having some connection with the United Kingdom other than the mere holding of the Security;
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the Securityholder would have been entitled to such additional amounts on surrendering such Certificate for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) held by or on behalf of a Securityholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to a paying agent in a member state of the European Union (provided that such a paying agent has been appointed at such time); or
- (e) where the Securityholder is able to avoid such withholding or deduction by complying, or procuring that a third party complies with, any applicable 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.

### **9.2 Additional Amounts**

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

## **10. PRESCRIPTION**

Claims in respect of principal and interest in respect of the Securities will become prescribed unless made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, subject to the provisions of Condition 6.

## **11. ENFORCEMENT**

- (a) In the event of a Winding-Up, or if the Issuer has not made payment of any amount in respect of the Securities for a period of 30 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and, unless proceedings for a Winding-Up have already commenced, any Securityholder may institute proceedings for a Winding-Up. Each

Securityholder may prove in a Winding-Up (whether or not instituted by a Securityholder), its claim being as set out in Condition 4.1 or 4.2, as applicable.

- (b) Without prejudice to Condition 11(a), a Securityholder may, at its discretion, and without notice, institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer (including, without limitation, proceedings, actions or steps to enforce obligations of the Issuer in connection with a Conversion) other than any payment obligation of the Issuer under or arising from the Securities (including, without limitation, payment obligations in respect of any principal or interest or any damages awarded for breach of any obligations); *provided that* in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions. Nothing in this Condition 11(b) shall, however, prevent a Securityholder instituting proceedings for the Winding-Up, proving in any Winding-Up or exercising rights under Condition 4.1 or, as applicable, Condition 4.2 in respect of any payment obligations of the Issuer arising from or in respect of the Securities.
- (c) No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

## **12. REPLACEMENT OF CERTIFICATES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Issuer, subject to all applicable laws and stock exchange requirements, 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. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **13. NOTICES**

All notices regarding the Securities shall be valid if sent by post to the Securityholders 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 Securities are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or, if published in accordance with the rules of the relevant stock exchange or other authority, on the first date of publication.

## **14. MODIFICATION AND WAIVERS**

### **14.1 Modification and waiver**

The Issuer may, subject to obtaining Regulatory Approval if then required, from time to time modify and/or waive any provision or provisions of these Conditions either:

- (a) with the consent in writing of the holders of not less than three-quarters of the principal amount of Securities which are outstanding; or
- (b) without the need for the consent or approval of the holders if, in the opinion of the Issuer, such amendment is not materially prejudicial to the interests of the Securityholders as a class or is of a formal, minor or technical nature or is to correct a manifest error.

### **14.2 Notification to the Securityholders**

Any such modification shall be binding on the Securityholders (including any Securityholders who have not agreed to such modification) and shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 13.

## 15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having (i) the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest, if any, on them and/or the issue price thereof) so that the same shall be consolidated and form a single series with the Securities; or (ii) such other terms and conditions as the Issuer may elect.

## 16. GOVERNING LAW

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

## 17. RIGHTS OF THIRD PARTIES

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

## 18. DEFINITIONS

In these Conditions:

**5-year Mid-Swap Rate** has the meaning given to it in Condition 5.4(b)(i).

**5-year Mid-Swap Rate Quotations** has the meaning given to it in Condition 5.4(b)(ii).

**Accrual Date** has the meaning given to it in Condition 5.3.

**Additional Amounts** has the meaning given to it in Condition 9.1.

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

**Business Day** has the meaning given to it Condition 5.4(b)(iii).

**Calculation Amount** means £1,000 in principal amount of Securities.

**Capital Disqualification Event** has the meaning given to it in Condition 7.3.

**Certificate** has the meaning given to it in Condition 1.1.

**Code** has the meaning given to it in Condition 6.2.

**Common Equity Tier 1** means, as at any date, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital (as that term is used in the CRD IV Regulation) of the Issuer or, as applicable, the Group as at such date, less any deductions from common equity tier 1 capital required to be made as of such date, in each case as calculated by the Issuer on an individual basis or, as applicable on a group basis, in accordance with the then prevailing Regulatory Capital Requirements but without applying the transitional provisions set out in Part Ten of the CRD IV Regulation.

**Common Equity Tier 1 Capital Ratio** means, as of any date, the ratio of Common Equity Tier 1 of the Issuer or, as applicable, the Group as of such date to the Risk Weighted Assets of the Issuer or, as applicable, the Group as of the same date, expressed as a percentage and on the basis that all measures used in such calculation shall be calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation.

**Conditions** means these terms and conditions of the Securities, as amended from time to time.

**Conversion** has the meaning given to it in Condition 8.1(c).

**Conversion Date** means the date specified as such in the Conversion Notice and, in accordance with Condition 8.1, in any event no later than one month (or such shorter period as the Supervisory Authority may then require) from the occurrence of the relevant Trigger Event.

**Conversion Notice** has the meaning given to it in Condition 8.1.

**Conversion Price** has the meaning given to it in Condition 8.1.

**Converted** has the meaning given to it in Condition 8.1(c).

**CRD IV Directive** means Directive (2013/36/EU) of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time.

**CRD IV Regulation** means Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time.

**Day-Count Fraction** has the meaning given to it in Condition 5.3.

**Distributable Items** means, subject as otherwise defined in the Regulatory Capital Requirements, in relation to interest otherwise scheduled to be paid on an Interest Payment Date, the amount of the profits of the Issuer as at the end of the financial year immediately preceding such Interest Payment Date plus:

- (i) any profits brought forward and reserves available for that purpose before distributions to holders of other own funds items (other than Tier 2 Capital items) of the Issuer; less
- (ii) any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non-distributable reserves in accordance with the Companies Act 2006 or the articles of association of the Issuer,

those profits, losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of its consolidated accounts.

**First Reset Date** has the meaning given to it in Condition 5.2(a).

**Group** means the Issuer and its consolidated Subsidiaries.

**Initial Interest Rate** has the meaning given to it in Condition 5.2(a).

**Interest Amount** means the amount due on each Security on an Interest Payment Date.

**Interest Payment Date** has the meaning given to it in Condition 5.2.

**Interest Period** has the meaning given to it in Condition 5.2.

**Interest Rate** means the Initial Interest Rate and/or the applicable Reset Interest Rate, as the case may be.

**Issue Date** means 1 May 2015.

**Issuer** has the meaning given to it in the preamble to these Conditions.



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

**Margin** has the meaning given to it in Condition 5.4(b)(iv).

**Notional Preference Share** has the meaning given to it in Condition 4.1.

**Ordinary Shares** means ordinary voting shares in the capital of the Issuer.

**Parity Obligations** has the meaning given to it in Condition 3.2.

**record date** has the meaning given to it in Condition 6.1.

**Register** has the meaning given to it in Condition 1.2.

**Regulatory Approval** means such approval, consent, prior permission from, or notification required within prescribed periods to, the Supervisory Authority, or such waiver of the then prevailing Regulatory Capital Requirements from the Supervisory Authority, as is required under the then prevailing Regulatory Capital Requirements.

**Regulatory Capital Requirements** means any requirements contained in the regulations, requirements, guidelines and policies of the Supervisory Authority, or of the European Parliament and Council, then in effect in the United Kingdom relating to capital adequacy and applicable to the Issuer.

**Regulatory Preconditions** means, in relation to any redemption of the Securities, to the extent required by prevailing Regulatory Capital Requirements:

- (a) the Issuer having replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (b) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the own funds of the Issuer would, following such redemption, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Supervisory Authority considers necessary at such time; or
- (c) if, at the time of such redemption, the prevailing Regulatory Capital Requirements permit the redemption after compliance with an alternative pre-condition to either of those set out in paragraphs (a) and (b) of this definition, or require compliance with an additional pre-condition, the Issuer having complied with such other pre-condition.

**Relevant Date** means whichever is the later of: (1) the date on which the payment in question first becomes due; and (2) if the full amount payable is not available to the Securityholders from the Issuer on or prior to such due date, the date on which (the full amount being so available) notice to that effect has been given to the Securityholders.

**Reset Date** means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date.

**Reset Determination Date** has the meaning given to it Condition 5.4(b)(v).

**Reset Interest Rate** has the meaning given to it in Condition 5.4(a).

**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 Reference Bank Rate** has the meaning given to it in Condition 5.4(b)(vi).

**Reset Reference Banks** has the meaning given to it in Condition 5.4(b)(vii).

**Risk Weighted Assets** means, as at any date, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Issuer as at such date, as calculated by the Issuer on an individual basis or, as applicable on a group basis, in accordance with the then prevailing Regulatory Capital Requirements.

**Screen Page** has the meaning given to it in Condition 5.4(b)(viii).

**Securityholder** has the meaning given to it in Condition 1.2.

**Senior Creditors** means creditors of the Issuer: (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a Winding-Up or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Securityholders in a Winding-Up occurring prior to the Trigger Event (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments).

**Solvency Condition** has the meaning given to it in Condition 3.3.

**Subsidiary** means each subsidiary undertaking (as defined under section 1159 of the Companies Act) for the time being of the Issuer.

**Supervisory Authority** means the United Kingdom Prudential Regulation Authority and any successor or replacement thereto or such other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

**Tax Event** has the meaning given to it in Condition 7.4.

**Taxes** has the meaning given to it in Condition 9.1.

**Tier 1 Capital** has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

**Tier 2 Capital** has the meaning given to it (or any successor term) from time to time in the Regulatory Capital Requirements.

**Trigger Event** means the Common Equity Tier 1 Capital Ratio of the Issuer or of the Group falls below 7.00 per cent.

**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 solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the holders of not less than three-quarters of the principal amount of the Securities for the time being outstanding and do not provide that the Securities thereby become redeemable or repayable in accordance with these Conditions);
- (b) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or
- (c) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (a) or (b) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.