



STANDARD LIFE PLC

(incorporated with limited liability in Scotland with registered number SC286832)

£500,000,000 6.75 per cent.

**Fixed Rate Perpetual Reset Subordinated Guaranteed Bonds
Unconditionally and irrevocably guaranteed on a subordinated basis by**

(SLLC Limited to be renamed)

STANDARD LIFE ASSURANCE LIMITED

(incorporated with limited liability in Scotland with registered number SC286833)

The £500,000,000 6.75 per cent. Fixed Rate Perpetual Reset Subordinated Guaranteed Bonds (the "**Bonds**") were originally constituted under a Trust Deed dated 12 July 2002 (the "**Trust Deed**") with The Law Debenture Trust Corporation p.l.c. as Trustee (the "**Trustee**"). At a meeting of the Bondholders, on 10 May 2006, a special resolution was passed to amend the conditions of the Bonds set out in the Trust Deed in such a manner that under the amended conditions of the Bonds the Trustee may, without the consent of the Bondholders, agree with SL Finance plc as issuer of the Bonds and The Standard Life Assurance Company to the substitution of the guarantor. The Trustee, SL Finance plc and The Standard Life Assurance Company have agreed to substitute Standard Life plc (the "**Issuer**" or "**Standard Life**") as issuer in place of SL Finance plc and SLLC Limited (to be renamed Standard Life Assurance Limited) (the "**Guarantor**") shall upon such substitution become the guarantor on a subordinated basis in respect of the Bonds.

The Bonds bear interest from their issue date of 12 July 2002 at the rate of 6.75 per cent. per annum payable annually in arrear on 12 July each year commencing on 12 July 2006. From and including 12 July 2027 and every fifth anniversary thereafter, the Bonds will bear interest annually in arrear at the rates to be calculated as fully described under "Terms and Conditions of the Bonds - Interest".

Payments on the Bonds will be made in sterling without deduction for or on account of taxes imposed or levied in the United Kingdom to the extent described under "Terms and Conditions of the Bonds —Taxation". The Guarantor will unconditionally and irrevocably guarantee on a subordinated basis, the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds.

The Prospectus has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of the Bonds. Applications have been made for the Bonds to be admitted to listing on the Official List of the FSA and to trading on the gilt edged and fixed interest market of the London Stock Exchange plc (the "**London Stock Exchange**"). This is a regulated market for the purposes of the Investment Services Directive 93/22/EC.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds are in bearer form and in the denomination of £1,000, £10,000 and £100,000 each. The Bonds are in the form of a permanent global note (the "**Permanent Global Bond**"), without interest coupons, which has been deposited with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of £1,000 each and with interest coupons attached.

5 July 2006

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IMPORTANT NOTICES

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Guarantor to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Guarantor will incur any liability for their own failure or the failure of any other person or persons to comply with the provisions of any such restrictions. For a description of certain selling restrictions applicable to the Bonds see "Selling Restrictions".

In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**£**" or "**sterling**" are to the lawful currency of the United Kingdom and references to "**€**" or "**Euro**" are to the 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.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

This Prospectus is issued by the Issuer and the Guarantor. This Prospectus incorporates by reference the registration document dated 15 June 2006 issued by the Issuer and comprising the registration document which forms part of the prospectus prepared by the Issuer in relation to its flotation on the London Stock Exchange (other than Part III - "Expected Timetable of Principal Events", Part IV - "Offer Statistics", Part XI - "Unaudited Pro Forma Financial Information" and Part XIV - "Taxation Considerations") (the "**IPO Registration Document**").

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this document and the IPO Registration Document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus and the IPO Registration Document to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import. For the avoidance of doubt, neither the Issuer nor the Guarantor accepts responsibility for the information contained in the registration document of the prospectus prepared by the Issuer in relation to its flotation which is not incorporated by reference herein but forms part of such prospectus (namely, Part III - "Expected Timetable of Principal Events", Part IV - "Offer Statistics", Part XI - "Unaudited Pro Forma Financial Information", and Part XIV - "Taxation Considerations").

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Guarantor.

The delivery of this Prospectus shall not in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this

Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The registration document relating to the initial public offering of the shares of the Issuer dated 15 June 2006 other than Part III - "Expected Timetable of Principal Events", Part IV - "Offer Statistics", Part XI - "Unaudited Pro Forma Financial Information" and Part XIV - "Taxation Considerations", referred to in this Prospectus as the IPO Registration Document, shall be deemed to be incorporated in, and to form part of, this Prospectus provided, however, that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supercedes such statement.

Copies of the IPO Registration Document deemed to be incorporated by reference in this Prospectus are available on the Group's website at www.standardlife.com, subject to access restrictions.

SUMMARY

This summary should be read as an introduction to the Prospectus. Investors should consider the Prospectus as a whole, including the IPO Registration Document incorporated by reference. This Prospectus may be obtained free of charge from the Issuer or the Guarantor as set out in "General Information" below. No civil liability attaches to the Issuer or the Guarantor in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Words and expressions defined in the "Conditions" below or elsewhere in this Prospectus have the same meanings in this summary.

1. **Demutualisation and Flotation Overview**

At a special general meeting on 31 May 2006, eligible members of The Standard Life Assurance Company ("**SLAC**") approved the proposal to demutualise (the "**Proposal**") and on 9 June 2006 the Court of Session in Scotland (the "**Court**") sanctioned SLAC's demutualisation scheme (the "**Scheme**").

Under the Proposal, the Company will issue approximately 1,472 million ordinary shares to certain eligible with-profits policyholders and approximately 2 million ordinary shares in a free share allocation to certain employees and will raise £1.1 billion of net new capital for the Group (as defined below).

Of the £1.1 billion of net new capital that Standard Life expects to raise on flotation, approximately £800 million of the proceeds will be allocated to Standard Life Assurance Limited.

2. **The business of the Group**

2.1 **Overview**

The Issuer and its subsidiaries (the "**Group**") together form a financial services group whose principal activities consist of the provision of life assurance and pensions, investment management, banking and healthcare insurance products.

The Group is one of the largest life assurance and pensions providers in the UK, with net earned premiums (£3.5 billion) and deposits received under investment contracts (£6.9 billion) totalling £10.4 billion for the financial period between 1 January 2005 and 31 December 2005 ("**FY 2005**").

Life assurance and pensions

The Group's UK life assurance and pensions business ("**UKL&P**") has a significant position in its market, having written £908 million of new business Annual Premium Equivalent ("**APE**") (the total of new annualised regular premiums plus 10% of single premiums written during the

applicable period) in 2005, representing a market share of 8.4%. UKL&P's share of new business APE written through Independent Financial Advisers in 2005, the principal distribution channel for UK life assurance and pensions products, was 11.1%.

The Group is the fourth largest life assurance and pensions provider in Canada, with new business APE of £184 million in FY 2005¹ and 6% market share of the Canadian life and healthcare market in 2004 (in terms of premiums and deposits (excluding mutual funds)).

The Group also has life assurance and pensions operations in Germany (covering Austria), Ireland and Hong Kong and interests in life assurance and pensions joint ventures in India and China.

Investment management

The Group's investment management company, Standard Life Investments Limited ("SLI"), manages assets for the Group and third parties and has a record of strong investment performance. Total funds managed by SLI were £124.8 billion at 31 March 2006. At 31 December 2005, SLI was the sixth largest UK domiciled fund manager² and managed 1.8% of the UK listed equity market and 4.1% of the UK listed government and corporate bond market³. Third party funds under management have grown from £5.3 billion at 15 November 1998 to £31.2 billion at 31 March 2006.

Banking

Standard Life Bank Limited offers a range of mortgages and retail savings products in the UK. It managed mortgage balances of £10.6 billion at 31 December 2005.

Healthcare

The Group's UK private medical insurance ("PMI") business, Standard Life Healthcare Limited, is one of the largest UK PMI providers.

Repositioning and transformation of the Group

Since a strategic review of its business undertaken in early 2004, SLAC has undertaken a number of steps to reposition the Group. The Board of the Issuer is committed to continuing this business transformation and is focused on achieving further profitable growth and creating increasing value for shareholders. As previously announced, the Directors received approaches relating to potential transactions, including requests to take significant shareholdings in the Company and an approach involving an all share merger with SLAC. The Directors concluded that these potential transactions were not in the best interests of members, policyholders and the business.

2.2 Financial strength and ratings

A common measure of financial strength in the UK for long-term insurance business, such as carried on by the Group, is the excess of available capital resources over the Capital Resources

¹ Source: OSFI Annual Returns and Company Reports

² Source: IMA Survey

³ Source: Internal SLI reporting

Requirement ("**CRR**"). Assuming demutualisation and flotation occurred as at 31 December 2005 and after taking into account the allocation to it of approximately £800 million as referred to above, SLAL would have reported an excess of capital resources over its CRR in excess of £2 billion at that date.

The current insurer financial strength ratings for SLAC are A1 (stable) and A (stable) from Moody's Investor Service and Standard & Poor's, respectively. Following demutualisation and flotation, the Directors expect SLAL to have the same ratings as SLAC.

3. **Description of the restructuring of the Bonds**

3.1 **Overview**

The Bonds were originally constituted under a Trust Deed dated 12 July 2002 (the "**Trust Deed**") with The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") as trustee which includes the terms and conditions of the Bonds (the "**Conditions**").

At a meeting of the holders of the Bonds on 10 May 2006, a special resolution was passed to amend the Conditions and the Trust Deeds in such a manner that the original issuer of the Bonds and the original guarantor of the Bonds (SL Finance plc and The Standard Life Assurance Company, respectively) were granted the option to agree with the Trustee to a substitution of SL Finance plc as issuer and The Standard Life Assurance Company as guarantor. SL Finance plc, The Standard Life Assurance Company and the Trustee have agreed to substitute Standard Life as issuer in place of SL Finance plc and SLLC Limited (to be renamed Standard Life Assurance Limited) as guarantor in place of The Standard Life Assurance Company (the "**Restructuring**"). This is occurring in the context of the demutualisation of SLAC.

3.2 **Summary of the Conditions after the Restructuring**

The Issuer:	Standard Life plc.
The Guarantor:	SLLC Limited (to be renamed Standard Life Assurance Limited).
Trustee:	The Law Debenture Trust Corporation p.l.c.
The Bonds:	£500,000,000 6.75 per cent. Fixed Rate Perpetual Reset Subordinated Guaranteed Bonds.
Listing Date:	On or about 10 July 2006.
No fixed maturity:	The Bonds are perpetual securities with no fixed maturity date.
Interest:	The Bonds bear interest from their issue date of 12 July 2002 at the rate of 6.75 per cent. per annum payable annually in arrear on 12 July each year commencing on 12 July 2006. From and including 12 July 2027 and every fifth anniversary thereafter, the Bonds will bear interest annually in arrear at rates to be calculated.

Status and subordination:	<p>The Bonds constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> without any preference among themselves.</p> <p>The rights and claims of the Bondholders against the Issuer in respect of payments under the Bonds will, in the event of the winding-up of the Issuer, be subordinated in right of payment, to the claims of the Senior Creditors.</p>
Subordinated Guarantee:	<p>The Guarantor will irrevocably guarantee, on a subordinated basis, and to the extent set out in the Trust Deed, the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Bonds and the Coupons.</p> <p>In the event of the winding-up of the Guarantor, the claims of the Bondholders to payment under the guarantee, will be subordinated in right of payment to the Claims of the Senior Creditors and accordingly, no payment shall be made or be due to be made to Bondholders under the guarantee in respect of amounts payable by the Issuer under the Bonds unless all of the claims of the Senior Creditors have been satisfied in full prior to such payment.</p>
Solvency Condition:	<p>Payments in respect of the Bonds are conditional upon the Issuer or the Guarantor, as the case may be, being solvent at the time of payment and immediately after such payment.</p>
Form and Denomination:	<p>The Bonds are in bearer form and in the denomination of £1,000, £10,000 and £100,000 each. The Bonds are in the form of a Permanent Global Bond, without interest coupons, which is deposited with a common depository for Euroclear and Clearstream, Luxembourg.</p>
Dividend and Capital Restriction:	<p>For so long as Arrears of Interest remain unpaid, the Dividend and Capital Restriction shall apply.</p>
Redemption:	<p>There is no fixed redemption date for the Bonds and the Issuer shall only have the obligation to repay them in accordance with the circumstances summarised below or on the occurrence of certain limited events of default. The Bonds are not redeemable at the option of the Bondholders. In addition, the Issuer may redeem the Bonds for taxation reasons, because of a Capital Disqualification Event and after the First Redemption Date on a Reset Date, subject, in each case, to the satisfaction of certain conditions.</p>

Rating:	A3 by Moody's Investor Services Limited and BBB+ by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc.
Withholding Tax:	All payments shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom unless the withholding or deduction of such taxes is required by law in which case a market standard gross up will apply.
Governing Law:	English law.
Listing and Trading:	Applications have been made for the Bonds to be admitted to listing on the Official List of the FSA and to trading on the gilt edged and fixed interest market of the London Stock Exchange.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.

4. Risk factors

Investors in the Bonds should consider the risks associated with the business sector in which the Group operates as well as risks relating specifically to the Group and the Bonds. Although the Group has in place a variety of systems, controls and procedures designed to mitigate the risks to which it is exposed, there can be no assurance that such risks will not occur. A number of the risks referred to below could have a material adverse effect on the Group's business, results of operations or financial condition.

The following is a summary of potential risks only, may not be exhaustive and does not purport to indicate the likelihood of such risks materialising. Investors should refer to Part I – "Risk Factors" of the IPO Registration Document and "Risk Factors" below for further details.

Risks associated with the Group's business sector

- The market, including fluctuations in equity markets, interest rates and currency exchange rates.
- Regulation and litigation including the effects of changes in laws, regulations and government policies.
- Failure to meet regulatory capital requirements, potentially resulting in regulatory action requiring measures to protect policyholders and to preserve capital.
- Actual experience being materially adversely inconsistent with assumptions used in pricing products, establishing reserves and reporting business results.
- Downgrades in financial strength or credit ratings potentially resulting in a loss of business, affecting relationships with intermediaries, affecting the Group's brand and reputation and increasing the cost of funding.

- The significant competition in the markets in which the Group operates.
- Losses resulting from inadequate or failed internal and external processes and controls, systems, human error, external events and failure to attract, motivate and retain skilled personnel.
- Damage to its brand or a decline in customer confidence, for example, resulting from a sharp reduction in equity markets or adverse regulatory or legal actions.
- Prolonged investment underperformance which may cause existing customers to withdraw funds and potential customers not to grant investment mandates.

Risks associated with the Group

- Provisioning relating to complaints in respect of past mis-selling of mortgage endowment policies could be insufficient and, if the Group were required to increase such reserves, this could result in a reduction in shareholder cash flows available for distribution.
- The Group may fail to execute successfully its continued repositioning strategy.
- The Group may fail to retain its current relationships with intermediaries or to attract new intermediaries.
- The Group may fail to manage successfully the transition from a mutual to a listed insurance company.
- Reductions in the level of surplus in the Heritage With - Profits Fund by reason of the amounts set aside by the Group in respect of the Mortgage Endowment Promise ("MEP") having to be increased or the Group being required to make additional payments in respect of the MEP.
- The deficit in the Group's defined benefit pension scheme could materially increase and result in the Group having to make additional contributions to reduce it.
- The Group's life assurance and pensions business has exposure to reinsurers, most materially in Canada whose failure to fulfil their obligations would expose the Group to losses.
- Declarations by holders of with-profits policies written by SLAC post-31 March 2004 waiving their entitlements in the event of demutualisation may be held to be ineffective in certain jurisdictions, potentially requiring the Group to compensate such policyholders.
- SLAC transferred assets to Standard Life Investment Funds Limited in April 2006. This transfer would give rise to a potential charge to stamp duty land tax on demutualisation of approximately £100 million, if legislation due post-demutualisation is not enacted in the form expected.

- The Group's interests in its Indian joint ventures are held on terms which may lead to the termination as a result of demutualisation unless agreement can be reached with the joint venture partner.
- SLAL has a potentially unlimited obligation to contribute its pro rata share of funds to its Chinese joint venture company to ensure it is able to meet Chinese minimum solvency margins.
- Standard Life may be a passive foreign investment company for US federal income tax purposes. If this was the case, there could be adverse tax consequences for US investors.

Risks associated with the Bonds

- The Bonds may be redeemed prior to maturity.
- In the event the Issuer would be obliged to increase amounts payable under the Bonds due to any withholding or deduction for or an account of taxes, the Issuer may redeem all outstanding Bonds in accordance with the Conditions.
- In addition, the Issuer has an option to redeem the Bonds in certain other circumstances which could result in an investor not being able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.
- The Bonds are perpetual securities which will form part of the regulatory capital of the Issuer. The Issuer is under no obligation to redeem the Bonds at any time. Bondholders may be required to bear the financial risk of an investment in the Bonds for an indefinite period of time.
- The Issuer may elect to defer payments of interest. Similarly the Guarantor may elect to defer payments under its subordinated guarantee.
- Definitive Bonds may be issued in certain circumstances only in respect of amounts equal to or integral multiples of the minimum denomination. Any remaining nominal amount of Bonds will be cancelled and holders will have no rights against the Issuer.
- The Bonds are subordinated to most of the Issuer's and the Guarantor's liabilities.
- If the Issuer is declared insolvent and a winding up is initiated, it will be required to satisfy the claims of all Senior Creditors in full before it can make any payments on the Bonds. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Bonds.
- If the Guarantor is declared insolvent and a winding up is initiated, it will be required to satisfy the claims of all Senior Creditors of the Guarantor and to claims of the Issuer under the Internal Tier 2 Instruments in full before it can make any payments on the subordinated guarantee. If this occurs, the Guarantor may not have enough assets remaining after these payments to pay amounts due under the subordinated guarantee.

- Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.
- Additional indebtedness may be incurred by the Issuer and/or the Guarantor which may rank senior in priority of payments to the Bonds. If this occurs, this may affect the ability of the Issuer and/or the Guarantor to pay amounts due under the Bonds and/or the subordinated guarantee in the event of the winding-up of the Issuer or the Guarantor.

RISK FACTORS

Investing in and holding the Bonds involves a degree of financial risk. Investors in the Bonds should carefully review the information contained in this Prospectus and the IPO Registration Document and should pay particular attention to the following risks associated with investing and holding the Bonds.

In addition to the risk factors included in this section, prospective investors should carefully review the risks associated with an investment in the Issuer detailed in Part I – "Risk Factors" of the IPO Registration Document.

Any reference to a Condition is a reference to the terms and conditions of the Bonds (the "**Conditions**") set out in "Terms and Conditions of the Bonds" this Prospectus and any capitalised term used but not defined in this Part shall have the meaning given to such term in the Conditions.

Risks Relating To The Bonds

The Bonds may be redeemed prior to maturity.

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Bonds due to any 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 or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with the Conditions.

In addition the Conditions provide that the Bonds are redeemable at the Issuer's option in certain other circumstances and accordingly the Issuer may choose to redeem the Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

Perpetual securities

The Issuer is under no obligation to redeem the Bonds at any time and the Bondholders have no right to call for their redemption. Although the Issuer may redeem the Bonds in certain circumstances, there are limitations on its ability to do so. Therefore, Bondholders should be aware that they may be required to bear the financial risk of an investment in the Bonds for an indefinite period of time.

The Permanent Global Bond is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will therefore have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

The Bonds will be represented by the Permanent Global Bond except in certain limited circumstances described therein. The Permanent Global Bond will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial

interests in the Permanent Global Bond. While the Bonds are represented by the Permanent Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Permanent Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Permanent Global Bond.

Holders of beneficial interests in the Permanent Global Bond will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Permanent Global Bond will not have a direct right under the Permanent Global Bond to take enforcement action against the Issuer or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

Deferral of payments of interest

The Issuer and the Guarantor may both elect to defer any payment of interest on the Bonds. For so long as any such Arrears of Interest remain outstanding, the restrictions on the Issuer and the Guarantor set out in Condition 5(c) (*Dividend and Capital Restriction*) shall apply. Arrears of Interest shall bear interest at the rate of interest then payable in respect of the Bonds.

Definitive Bonds

Definitive Bonds will only be issued if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default and Enforcement*) occurs. If Definitive Bonds are issued, such Bonds will be issued only in respect of amounts equal to or integral multiples of the minimum denomination. Any remaining nominal amount of Bonds will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Bonds. Definitive Bonds will in no circumstances be issued to any person holding Bonds in an amount lower than the minimum denomination and such Bonds will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Bonds.

The Bonds are subordinated to obligations of the Issuer and the Guarantor.

If the Issuer is declared insolvent and a winding up is initiated, it will be required to satisfy the claims of all Senior Creditors in full before it can make any payments on the Bonds. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Bonds.

In the event of a winding-up of the Guarantor, the claims of the Bondholders to payment under the subordinated guarantee will be subordinated in light of payment to the Claims of all Senior

Creditors of the Guarantor and to claims of the Issuer under the Internal Tier 2 Instruments (as defined in "Terms and Conditions of the Bonds"). If this occurs, the Guarantor may not have enough assets remaining after these payments to pay amounts due under the subordinated guarantee.

Credit Rating

The Bonds have been assigned a rating of "A3" by Moody's Investor Services Limited and "BBB+" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. A security 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. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

No Restriction on Further Indebtedness

Neither the Bonds nor the Trust Deed limit the ability of the Issuer, the Guarantor, any member of the Group or any affiliate to incur additional indebtedness, including indebtedness that ranks senior in priority of payments due to the Bondholders under the Bonds or the Trust Deed. Additional indebtedness may therefore be incurred by the Issuer and/or the Guarantor which may rank senior in priority of payments to the Bonds. If this occurs, this may affect the ability of the Issuer and/or the Guarantor to pay amounts due under the Bonds and/or the subordinated guarantee in the event of the winding-up of the Issuer or the Guarantor.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds which (subject to completion and amendment) will be endorsed on each Bond in definitive form:

The £500,000,000 6.75 per cent. Fixed Rate Perpetual Reset Subordinated Guaranteed Bonds (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of Standard Life plc (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 12 July 2002 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Standard Life Assurance Limited (the "**Guarantor**") and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 12 July 2002 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, JPMorgan Chase Bank as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds) and as agent bank (the "**Agent Bank**", which expression includes any successor agent bank appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Bonds (the "**Bondholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Fifth Floor, 100 Wood Street, London EC2V 7EX and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Bonds are serially numbered and in bearer form in the denominations of £1,000, £10,000 and £100,000 with Coupons and talons (each, a "**Talon**") for further Coupons attached at the time of issue. Bonds of one denomination will not be exchangeable for Bonds of any other denomination. Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, Coupon or Talon shall (except as otherwise required by law) 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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect the rights of any person which arise other than pursuant to that Act.

2. **Status and Subordination**

The Bonds constitute direct, unsecured and (save as to subordination) unconditional obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves.

The Bonds are direct liabilities of the Issuer and consequently do not constitute a direct liability attributable to the long-term fund of the Guarantor (but without prejudice to the Guarantor's obligations under the Guarantee (as defined below)).

Subject to applicable law, no Bondholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer and/or the Guarantor arising under or in connection with the Bonds or the Guarantee and each Bondholder shall, by virtue of being the holder of any Bond, be deemed to have waived all such rights of set-off. Notwithstanding the preceding sentence, if any of the rights and claims of any Bondholder are purported to be discharged by set-off, such Bondholder will immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor or, if applicable, the liquidator or trustee or Receiver of the Issuer or the Guarantor and, until such time as payment is made, will hold a sum equal to such amount in trust for the Issuer or the Guarantor or, if applicable, the liquidator or the trustee or Receiver in the Issuer's or the Guarantor's winding-up. Accordingly, such discharge will be deemed not to have taken place.

The claims of the Bondholders against the Issuer in respect of payments pursuant to the Bonds will, in the event of the winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined below) of the Issuer, but will rank in priority to (i) the payment obligations of the Issuer in respect of the Tier 1 Obligations (as defined in Condition 3 (*Subordinated Guarantee*)), (ii) any payment obligations of the Issuer which may arise pursuant to the subrogation or indemnity referred to in the second paragraph of Condition 3 (*Subordinated Guarantee*), (iii) any other obligations of the Issuer that rank or are expressed to rank junior to the Tier 1 Obligations and (iv) distributions on all classes of share capital of the Issuer and will rank *pari passu* with the payment obligations of the Issuer in respect of the Euro Bonds (as defined in Condition 3 (*Subordinated Guarantee*)).

All payments in respect of the Bonds are, in addition to the right of the Issuer or the Guarantor, as the case may be, to defer payment of interest in accordance with Condition 5 (*Deferral of Payments*), conditional upon the Issuer or the Guarantor being Solvent at the time of payment by the Issuer or the Guarantor, as the case may be, and no payment in respect of or arising from the Bonds, Coupons and/or the Trust Deed shall be due and payable except to the extent that the Issuer or the Guarantor, as the case may be, could make such payment and still be Solvent immediately thereafter (the "**Solvency Condition**").

As used in these Conditions:

"**Assets**" means the unconsolidated gross assets of the Issuer or the Guarantor, as the case may be, as shown in the latest published audited balance sheet of the Issuer or the Guarantor, as the case may be, but adjusted for subsequent events in such manner as the directors of the Issuer or the Guarantor, as the case may be, may determine;

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

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer or the Guarantor, as the case may be, as shown in the latest published audited balance sheet of the Issuer or the

Guarantor, as the case may be, but adjusted for contingent liabilities and for subsequent events in such manner as the directors of the Issuer or the Guarantor, as the case may be, may determine;

"Receiver" means a receiver, a receiver and manager or an administrative receiver;

"Regulatory Capital Requirement" means the applicable regulatory capital or capital ratios required to be maintained for (i) in the case of the Guarantor's Solvency, insurance companies or insurance groups (as applicable) regulated by the FSA; and (ii) in the case of the Issuer's Solvency, parent companies in insurance groups regulated by the FSA;

"Senior Creditors" means all creditors of the Issuer or the Guarantor, as the case may be, (including, in the case of the Guarantor, all policyholders of the Guarantor (for the avoidance of doubt, the claims of the policyholders shall include all amounts to which they 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 policyholders may have)) who are (i) unsubordinated creditors of the Issuer or the Guarantor, as the case may be, or (ii) subordinated creditors of the Issuer or the Guarantor, as the case may be, other than those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Bondholders; and

"Solvent" means, in relation to the Issuer, that (i) it is able to pay its debts owed to its Senior Creditors as they fall due, (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are not Senior Creditors) and (iii) the Group meets its Regulatory Capital Requirement for the time being; and in relation to the Guarantor, that (i) it is able to pay its debts owed to its Senior Creditors as they fall due, (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are not Senior Creditors) and (iii) it meets its Regulatory Capital Requirement for the time being, and "Solvency" shall be construed accordingly.

The Trustee is entitled under the Trust Deed to rely on a certificate of two Authorised Signatories (as defined in the Trust Deed) of the Issuer or the Guarantor as to whether the Issuer or the Guarantor, as the case may be, is Solvent.

3. **Subordinated Guarantee**

The Guarantor has in the Trust Deed irrevocably and (save as to subordination) unconditionally guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Bonds and the Coupons. Such guarantee (the **"Guarantee"**) constitutes direct and unsecured obligations of the Guarantor. In the event of a winding-up of the Guarantor, the claims of the Bondholders to payment under the Guarantee will be subordinated in right of payment, in the manner provided in the Trust Deed, to the Claims of all Senior Creditors of the Guarantor and to claims of the Issuer under the Internal Tier 2 Instruments but will rank *pari passu* with the claims of the holders of the Euro Bonds under the guarantee relating to the Euro Bonds and will rank in priority to (i) the claims of the Issuer under the Internal Tier 1 Instruments, (ii) the claims of holders of the Tier 1 Obligations under any guarantee relating to the Tier 1 Obligations or any other securities ranking *pari passu* with such claims, (iii) any other obligations of the Guarantor that rank or are expressed to rank junior to the claims of holders of the Tier 1 Obligations under any guarantee relating to the Tier 1 Obligations or any other securities ranking *pari passu* with such claims and (iv) distributions on all classes of share capital of the Guarantor.

For the purpose of determining whether any principal or payment of interest, Arrears of Interest (as defined in Condition 5(b) (*Arrears of Interest*)) or any other sum is, from time to time, due and payable by the Issuer for the purposes of the obligations of the Guarantor under the Guarantee:

- (a) payments of principal and/or payments of interest in respect of the Bonds shall be deemed to be due and payable on the relevant Interest Payment Date or (together with any Arrears of Interest) on the date of any redemption of the Bonds by the Issuer notwithstanding that any of Conditions 6(b) (*Redemption for Taxation Reasons*), 6(c) (*Redemption at the Option of the Issuer on or after 12 July 2027*) or 6(d) (*Optional Redemption due to Capital Disqualification Event*) apply; and
- (b) where an order is made by any competent court or a resolution is passed for the winding-up of the Issuer, the Guarantor shall be obliged under the Guarantee to meet the payment obligations of the Issuer that would otherwise have arisen under these Conditions and shall have the benefit of all the provisions applicable to the Issuer in these Conditions (including, without limitation, the Issuer's ability to redeem the Bonds in the circumstances set out in Condition 6 (*Redemption and Purchase*)), and, accordingly, all references to the Issuer shall be construed as references to the Guarantor, *provided that* in such circumstances, no amounts shall be payable under the Guarantee prior to the time at which such amounts would have fallen due under the Bonds themselves in the absence of such winding-up of the Issuer.

For the avoidance of doubt, the Guarantor shall be subrogated to all rights of the Bondholders against the Issuer or otherwise be indemnified in respect of any amounts paid by such Guarantor under the Guarantee *provided that* the Guarantor shall not, without the consent of the Trustee, be entitled to enforce, or to receive any payments arising out of or based upon or prove in any insolvency or winding up of the Issuer in respect of, such right of subrogation until such time as the principal of and interest on all outstanding Bonds and Coupons and/or all other amounts due (whether contingently, prospectively or otherwise) under the Trust Deed (insofar as it relates to the Bonds) and the Bonds and Coupons have been paid in full.

As used in these Conditions:

"Claims" means all liabilities to Senior Creditors of the Guarantor including the value of policies determined in accordance with paragraphs 3 and 6 of Schedule 2 to the Insurers (Winding-up) Rules 2001 so as to reflect any right to receive or expectation of receiving benefits which policyholders may have;

"Euro Bonds" means the €750,000,000 6.375 per cent. Fixed/Floating Rate Subordinated Guaranteed Bonds due 2022 of the Issuer, as originally issued on 12 July 2002 and as amended from time to time;

"Internal Tier 1 Instruments" means (i) the internal instrument between Standard Life Assurance Limited as debtor and Standard Life plc as creditor in relation to the Sterling denominated Tier 1 Obligations and (ii) the internal instrument between Standard Life Assurance Limited as debtor and Standard Life plc as creditor in relation to the Euro denominated Tier 1 Obligations;

"Internal Tier 2 Instruments" means (i) the internal instrument issued by Standard Life Assurance Limited as debtor with Standard Life plc as creditor in relation to the Bonds and (ii) the internal instrument issued by Standard Life Assurance Limited as debtor with Standard Life plc as creditor in relation to the Euro Bonds; and

"Tier 1 Obligations" means the €360,000,000 5.314 per cent. Fixed/Floating Rate Mutual Assurance Capital Securities of SL MACS PLC and the £300,000,000 6.546 per cent. Mutual Assurance Capital Securities of SL MACS (No. 2) PLC, in each case as originally issued on 4 November 2004 and as amended from time to time together with any further securities issued pursuant to the terms thereof and which form a single series therewith, and any other securities ranking *pari passu* therewith.

4. **Interest**

- (a) *Accrual*: The Bonds bear interest from the Issue Date (as defined below) in accordance with the provisions of this Condition 4.

Subject to Condition 5 (*Deferral of Payments*), interest shall be payable on the Bonds annually in arrear on each Interest Payment Date (as defined below), subject as provided in Condition 7 (*Payments*).

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

The Bonds will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(b) (*Redemption for Taxation Reasons*), 6(c) (*Redemption at the Option of the Issuer on or after 12 July 2027*) or 6(d) (*Optional Redemption due to Capital Disqualification Event*) unless, upon due presentation, payment of principal in respect of the Bonds is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the relevant date (as defined in Condition 4(h) (*Definitions*)).

- (b) *Initial Rate of Interest*: For the period from, and including, the Issue Date to, but excluding, 12 July 2027, the Bonds bear interest at the rate of 6.75 per cent. per annum (the "**Initial Rate of Interest**").
- (c) *Reset Rate of Interest*: From and including 12 July 2027, the rate of interest payable in respect of each Interest Calculation Period (as defined below) (the "**Reset Rate of Interest**") will be the rate per annum as determined by the Agent Bank which is the aggregate of 2.85 per cent. and the Gross Redemption Yield (as defined below) of the Benchmark Gilt (as defined below) in respect of such Interest Calculation Period with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to four decimal places) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Market Makers (as defined below) at 3.00 p.m. (London

time) on the relevant Determination Date (as defined below) on a dealing basis for settlement on the next following dealing day in London.

- (d) *Publication of Reset Rate of Interest:* The Issuer shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 to be given to the Trustee, the Paying Agents and any stock exchange or other relevant authority on which the Bonds are for the time being listed or admitted to trading and, in accordance with Condition 17 (*Notices*), the Bondholders as soon as practicable after its determination but in any event not later than the first day of the relevant Interest Calculation Period (unless the Determination Date occurs after such date, in which case, not later than the fourth London Business Day (as described in the definition of Determination Date below) after the Determination Date).
- (e) *Determination or Calculation by Trustee:* The Trustee shall, if the Agent Bank does not at any relevant time for any reason determine the Reset Rate of Interest in accordance with this Condition 4, determine interest in respect of the relevant Interest Calculation Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 4(c) (*Reset Rate of Interest*)), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.
- (f) *Agent Bank:* For so long as any Bonds remain outstanding, the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial Specified Office is set out at the end of these Conditions.

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

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

"Benchmark Gilt" means, in respect of an Interest Calculation Period, such United Kingdom government security having a maturity date on or about the last day of such

Interest Calculation Period as the Agent Bank, with the advice of the Reference Market Makers, may determine to be appropriate;

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

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

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

"Interest Payment Date" means 12 July in each year, commencing 12 July 2003;

"Issue Date" means 12 July 2002;

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

"relevant date" means, in respect of any payment on the Bonds, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Bondholders by the Issuer in accordance with Condition 17 (*Notices*); and

"Reset Date" means 12 July 2027 and each fifth anniversary thereafter for so long as any Bonds are outstanding.

5. **Deferral of Payments**

- (a) *Deferral of Interest*: Subject to the provisions of Condition 5(b) (*Arrears of Interest*), the Issuer may defer the payment of interest on the Bonds which would otherwise be payable on an Interest Payment Date.

The Issuer shall notify the Trustee and the Bondholders as soon as practicable (and in any event within ten business days) after any Interest Payment Date in respect of which payment of interest is deferred, by virtue of this Condition 5(a) or the Solvency Condition not being satisfied, of the amount of such payment otherwise due on that date.

- (b) *Arrears of Interest*: Any interest in respect of the Bonds not paid on an Interest Payment Date, together with any other interest in respect of the Bonds not paid on any earlier Interest Payment Date, in each case by virtue of Condition 5(a) (*Deferral of Interest*) or the Solvency Condition not being satisfied, shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Any Arrears of Interest will automatically become immediately due and payable (without Supervisory Consent) in full upon the earliest of the following dates:

- (i) the date of any declaration or payment of dividends, interest or other payment in respect of any *pari passu* ranking securities or Junior Securities, or any of these being purchased, by the Issuer or the Guarantor or any Subsidiary (as defined in the Trust Deed) of the Issuer;
- (ii) the date fixed for any payment under any Junior Guarantee;
- (iii) the date of any redemption or purchase of Bonds pursuant to Condition 6 (*Redemption and Purchase*) or Condition 10(a) (*Events of Default*); and
- (iv) the date on which an order is made by any competent court or a resolution is passed for the winding-up of the Issuer or the Guarantor (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders),

save that the following will be disregarded for these purposes (i) the declaration and payment of dividends, distributions or other payments between the Issuer, the Guarantor and their respective Subsidiaries (as defined in the Trust Deed) (with the exception of any junior must pay instrument issued by the Guarantor in favour of the Issuer) or (ii) payments made by the Guarantor to its policyholders or other customers or transfers from the unallocated divisible surplus.

If payment of part only of Arrears of Interest is to be made, where such Arrears of Interest relate to more than one Interest Period, Arrears of Interest in respect of any Interest Period shall not be paid until full payment has been made of all Arrears of Interest in respect of any earlier Interest Period.

Interest will accrue on Arrears of Interest at the then current rate of interest of the Bonds.

- (c) *Dividend and Capital Restriction*: For so long as Arrears of Interest remain unpaid, each of the Issuer and the Guarantor, as the case may be, shall not, and shall not permit any entity that it directly or indirectly controls to:

- (i) declare or pay a dividend or distribution or make any other payment on any of its *pari passu* ranking securities or Junior Securities (other than a dividend which has been declared prior to the date on which the decision to defer the relevant interest payment is notified to Bondholders or save where the Issuer or Guarantor, as the case may be, is required to make a dividend, distribution or other payment in accordance with the conditions of the relevant *pari passu* ranking securities or Junior Securities) or make a payment on any Junior Guarantee; or
- (ii) redeem, purchase or otherwise acquire any of its *pari passu* ranking securities or Junior Securities,

save that the above restriction will not prohibit (i) the declaration and payment of dividends, distributions or other payments between the Issuer, the Guarantor and their respective Subsidiaries (as defined in the Trust Deed) (with the exception of any junior must pay instrument issued by the Guarantor in favour of the Issuer which will be subject to such restrictions) or (ii) payments made by the Guarantor to its policyholders or other customers or transfers from the unallocated divisible surplus.

- (d) *No Default*: Notwithstanding any other provision in these Conditions or the Trust Deed, any payment which for the time being is not made by virtue of Condition 5(a) (Deferral of Interest) shall not constitute a default for any purpose (including, but without limitation, Condition 10(a) (Events of Default)) on the part of the Issuer or the Guarantor and will not give the Bondholders or the Trustee any right to accelerate the Bonds.
- (e) *Investigations as to Solvency*: The Guarantor shall procure that an investigation of the Guarantor complying with Rule 9.4 of IPRU(INS) is made by the board of directors of the Guarantor as at the end of each of the Guarantor's financial years and that an abstract of the report of that investigation is deposited with the FSA in accordance with Rule 9.6 of IPRU(INS). Such investigation shall be made as soon as reasonably practicable after the end of each financial year. However, if the Issuer and Guarantor propose to defer payment of interest due on any Interest Payment Date falling in the next following financial year, the relevant abstract shall be deposited with the FSA on or before such Interest Payment Date.
- (f) *Definitions*: As used in these Conditions:

"**FSA Rules**" means rules made from time to time by the FSA;

"**IPRU(INS)**" means the "Interim Prudential Sourcebook: Insurers" that forms part of the FSA Rules or any equivalent rules or regulatory provisions from time to time replacing it or the rules therein;

"**Junior Guarantee**" means any guarantee or other contractual support undertaking of the Issuer or the Guarantor, as the case may be, in respect of a share or other security of a subsidiary undertaking of the Issuer or the Guarantor, as the case may be, which guarantee or other contractual support undertaking ranks, whether as to income or winding up, *pari passu* or junior to the Bonds;

"Junior Securities" means ordinary shares or any other securities of the Issuer or the Guarantor, as the case may be, which rank, as regards distributions on a return of assets on a winding-up or in respect of distributions or payments of dividends or any other payments thereon, after the Bonds or, as applicable, the Guarantee; and

"Supervisory Consent" means the consent of the FSA to the relevant redemption, payment, repayment, purchase, amendment or modification.

6. **Redemption and Purchase**

- (a) *No Fixed Maturity*: There is no fixed redemption date for the Bonds and the Issuer shall (subject to the provisions of Condition 2 (*Status and Subordination*) and without prejudice to the provisions of Condition 10 (*Events of Default and Enforcement*)) only have the obligation to repay them in accordance with the following provisions of this Condition 6. In these Conditions all references to redemption or purchase of the Bonds shall be read subject to the requirement that any such redemption or purchase shall be subject to prior Supervisory Consent (so long as such consent is required).
- (b) *Redemption for Taxation Reasons*: If the Issuer satisfies the Trustee at any time immediately before the giving of the notice referred to below that (i) on the occasion of the next payment due in respect of the Bonds either the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts or (ii) on the next Interest Payment Date the payment of interest in respect of the Bonds would be treated, for reasons outside the control of the Issuer, the Guarantor and any affiliate of the Guarantor, as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced), the Issuer may, at its option, having obtained Supervisory Consent (if required) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Bondholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), at any time redeem all, but not some only, of the Bonds, at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest.
- (c) *Redemption at the Option of the Issuer on or after 12 July 2027*: Unless the Issuer shall have given notice to redeem the Bonds under Condition 6(b) (*Redemption for Taxation Reasons*), the Issuer may, at its option, having obtained Supervisory Consent (if required) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Bondholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable) expiring on the relevant Reset Date, redeem all, but not some only, of the Bonds on such Reset Date at their principal amount together with interest accrued to (but excluding) the date of redemption and all Arrears of Interest.
- (d) *Optional Redemption due to Capital Disqualification Event*: If the Issuer satisfies the Trustee prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having obtained Supervisory Consent (if required) and having given not less than 30 nor more than 60 days' notice to the Trustee and to the Bondholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at any time at their

Special Redemption Price together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

(e) *Definitions:* As used in these Conditions:

A "**Capital Disqualification Event**" is deemed to have occurred if under the Relevant Rules (as defined below) or the application or official interpretation thereof the Bonds would not be capable of counting as cover for the margin of solvency required of the Guarantor under the Relevant Rules;

"**Reference Bond**" means, if the Capital Disqualification Event occurs on or prior to the first Reset Date, the 6.00 per cent. Treasury Stock due 7 December 2028, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to 7 December 2028, as the Agent Bank may, with the advice of Reference Market Makers, determine to be appropriate by way of substitution for the 6.00 per cent. Treasury Stock due 7 December 2028 and, if the Capital Disqualification Event occurs after the first Reset Date, the relevant Benchmark Gilt in respect of the Interest Calculation Period during which the date fixed for redemption occurs;

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

"**Relevant Rules**" means the FSA Rules or any successor rules or other applicable legislation, rules or regulations (whether having the force of law or otherwise) relating to the regulation of capital of insurance companies operating in the United Kingdom; and

"**Special Redemption Price**" means, in respect of each Bond, the higher of (a) the principal amount of such Bond and (b) the price expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the Bonds on the Reference Date (assuming for this purpose that the Bonds are to be redeemed at their principal amount on the Reset Date immediately following such Reference Date) is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Reference Date of the Reference Bond plus 0.75 per cent.

(f) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries (as defined in the Trust Deed) or any holding company of the Issuer or the Guarantor or any other subsidiary of such holding company may, having obtained Supervisory Consent (if required), at any time purchase Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike.

(g) *Cancellation:* All Bonds so redeemed by the Issuer or purchased pursuant to Condition 6(f) (*Purchase*) and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

7. **Payments**

(a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bonds at the specified office of any Paying Agent outside the United States by Sterling cheque drawn on, or by transfer to a Sterling

account (or other account to which Sterling may be credited or transferred) maintained by the payee with, a bank in London.

- (b) *Interest*: Payments of interest (including Arrears of Interest) shall, subject to Condition 7(f) (*Payments of interest other than on Interest Payment Dates*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 7(a) (*Principal*).
- (c) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons*: If on the due date for redemption of any Bond, such Bond is presented without all unmaturing Coupons relating thereto, then:
 - (i) if the aggregate amount of the missing unmaturing Coupons relating to Interest Payment Dates falling on or prior to the Reset Date on or immediately following the due date for redemption of the Bonds is greater than the principal amount of such Bond, so many of such missing unmaturing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being as near as possible to but not greater than the principal amount of such Bond; and
 - (ii) (where sub-paragraph (i) applies) a sum equal to the aggregate amount of the Relevant Coupons or (where sub-paragraph (i) does not apply) a sum equal to the aggregate amount of the missing unmaturing Coupons relating to Interest Payment Dates falling on or prior to the first Reset Date or, as the case may be, within the relevant Interest Calculation Period will be deducted from the amount of principal due for payment; *provided, however*, that, if the gross amount available for payment is less than the principal amount of such Bond, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the principal amount of such Bond) which the gross amount actually available for payment bears to the principal amount of such Bond. No payments will be made in respect of void Coupons.

Each sum of principal so deducted shall be paid in the manner provided in Condition 7(a) (*Principal*) against subsequent presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons at any time on or not later than 10 years after the relevant date in respect of such Bond (notwithstanding that the relevant Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, 5 years after the relevant date in respect of such Coupons.

All unmaturing Coupons relating to Interest Payment Dates falling after the Reset Date on or immediately following the due date for redemption of the Bonds will become void and no payment will be made in respect thereof.

- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Bond or Coupon is not a business day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7(e), "**business day**" means a day (not being a Saturday or Sunday) on which, in the relevant place of presentation and in London, commercial banks and foreign exchange markets settle payments in sterling.
- (f) *Payments of interest other than on Interest Payment Dates*: Payments of interest other than on Interest Payment Dates shall be made only against presentation of the relevant Bonds at the specified office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Bonds (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Principal Paying Agent for a further Coupon Sheet (including, where applicable, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 9 (*Prescription*)). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

8. **Taxation**

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantor 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 or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction 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 Bond or Coupon:

- (a) presented for payment by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or (ii) is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000

or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (c) presented for payment in the United Kingdom; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a member state of the European Union; or
- (e) presented for payment more than 30 days after the relevant date (as defined in Condition 4(h) (*Definitions*)) except to the extent that the holder of such Bond or Coupon would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest, as the case may be, which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed, and references herein to interest shall, where the context requires, include Arrears of Interest.

9. **Prescription**

Claims against the Issuer and the Guarantor for payment of principal and interest (including Arrears of Interest, if any) in respect of the Bonds shall become void 10 years and 5 years, respectively, after the applicable relevant date and thereafter any principal, interest or other sums payable in respect of the Bonds shall be forfeited and revert to the Issuer or the Guarantor, as applicable.

10. **Events of Default and Enforcement**

- (a) *Events of Default*: The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders shall (but, in each case, subject to Condition 10(d) (*Entitlement of the Trustee*)), give notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount together with accrued interest thereon and all Arrears of Interest (if any) if:
 - (i) (subject to the provisions of Condition 5 (*Deferral of Payments*)) default is made for a period of ten days or more in the payment of any interest due in respect of the Bonds or any of them; or
 - (ii) the Guarantor's authorisation under the Act is "finally withdrawn" (as defined in the Trust Deed); or
 - (iii) an order is made by any competent court or a resolution is passed for the winding-up of the Issuer or the Guarantor (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders).

- (b) *Proceedings for Winding-up*: If the Bonds become due and repayable (whether pursuant to Condition 10(a) (*Events of Default*), Condition 6 (*Redemption and Purchase*) or otherwise), the Trustee may at its discretion institute proceedings for or prove in the winding-up of the Issuer and/or the Guarantor, but may take no further action to enforce the obligations of the Issuer and/or the Guarantor for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Bonds. No payment in respect of the Bonds may be made by the Issuer or the Guarantor pursuant to Condition 10(a) (*Events of Default*), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Guarantor, save with prior Supervisory Consent.
- (c) *Enforcement*: Without prejudice to Condition 10(a) (*Events of Default*) and Condition 10(b) (*Proceedings for Winding-up*), if the Issuer or the Guarantor breaches any of its obligations under the Trust Deed or the Bonds (other than any obligation for the payment of any principal or interest (including Arrears of Interest, if any) in respect of the Bonds) then, and/or at any time after the Bonds become due and repayable, the Trustee may, subject as provided below, at its discretion and without further notice bring such proceedings as it may think fit to enforce the obligation in question. Neither the Issuer nor the Guarantor shall, as a result of the bringing of any such proceedings, be obliged to pay any sums representing or measured by reference to principal or interest (including Arrears of Interest, if any) on the Bonds sooner than the same would otherwise have been payable by it.
- (d) *Entitlement of the Trustee*: The Trustee shall not be bound to take any of the actions referred to in Conditions 10(a) (*Events of Default*), 10(b) (*Proceedings for Winding-up*) and/or 10(c) (*Enforcement*) to accelerate and/or enforce the obligations of the Issuer and/or the Guarantor in respect of the Bonds or any other proceedings or action pursuant to or in connection with the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter of the principal amount of the Bonds then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (e) *Rights of Bondholders*: No Bondholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Bondholder shall be entitled to institute proceedings for the winding-up of the Issuer and/or the Guarantor, or to prove in such a winding-up, except that if the Trustee, having become bound to proceed against the Issuer and/or the Guarantor as aforesaid, fails to do so, or being able to prove, fails to do so in such a winding-up (in each case, within a reasonable period) and such failure is continuing, then any holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in such a winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.
- (f) *Definitions*: As used in these Conditions, "**Act**" means the Financial Services and Markets Act 2000.

11. **Substitution**

The Trustee may, without the consent of the Bondholders, agree with the Issuer and the Guarantor to the substitution of the Guarantor or of any other wholly owned Subsidiary (as defined in the Trust Deed) of the Guarantor or any parent company (within the meaning of section 258 of the Companies Act 1985) of the Guarantor in place of the Issuer (or of any previous substitute under this Condition 11) as the principal debtor under the Bonds and the Trust Deed subject to (i) except in the case of the substitution of the Guarantor as issuer, the Bonds being unconditionally and irrevocably guaranteed by the Guarantor on like terms as to subordination to those of the Guarantee and (ii) certain other conditions set out in the Trust Deed being complied with.

12. **Transfers of Business**

If the Guarantor shall transfer all or a substantial part of its long-term business to another body in accordance with Part VII (*Control of Business Transfers*) of the Act, the Guarantor shall procure that there be included in the assets and liabilities to be transferred to such body all the liabilities and obligations of the Guarantor as principal obligor under the Guarantee, without any prior approval thereof being required from the Trustee or the Bondholders, and references to the Guarantor herein shall be construed accordingly.

In this Condition 12, "**substantial part**" means any part which represents 50 per cent. or more of the amount included in the last audited balance sheet of the Guarantor for long term business provision.

13. **Replacement of Bonds, Coupons and Talons**

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

14. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds or Coupons including as a result of such holders being connected in any way with a particular territory or taxing jurisdiction and no Bondholder or Couponholder shall be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or, as the case may be, Couponholder except to the extent provided for in Condition 8 (*Taxation*) (or any

undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

In acting under the Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents and the Agent Bank act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however*, that the Issuer and the Guarantor shall at all times maintain (a) a principal paying agent, (b) a paying agent in London and (c), if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders in accordance with Condition 17 (*Notices*).

15. **Meetings of Bondholders; Modification and Waiver; Supervisory Consent**

- (a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however*, that certain proposals including, *inter alia*, (i) any proposal to change any date fixed for payment of principal or interest (including Arrears of Interest) in respect of the Bonds or the circumstances in which payment of principal or interest (including Arrears of Interest) may be deferred, (ii) to reduce the Margin, to reduce or cancel the amount of principal or interest (including Arrears of Interest) payable on any date in respect of the Bonds, or to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, (iii) to reduce the Initial Rate of Interest, (iv) to change any Reset Date, (v) to change the currency of payments under the Bonds, (vi) to amend the terms of the Guarantee of the Bonds, (vii) to amend the provisions of Conditions 2 (*Status and Subordination*), 3 (*Subordinated Guarantee*) or 12 (*Transfers of Business*), (viii) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or (ix) to modify the covenant of the Guarantor not to dispose of the Guarantor's shares in Standard Life Investment Funds Limited or grant

approval to any such disposal (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holder or holders of not less than 90 per cent. of the principal amount of the Bonds for the time being outstanding shall take effect as if it were an Extraordinary Resolution. Such 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 Bondholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Bondholders or Couponholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which it is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds or the Trust Deed which is, in the opinion of the Trustee, of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders or Couponholders, authorise or waive any proposed breach or breach of the Bonds or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter.

- (c) *Supervisory Consent:* No modification to these Conditions or any other provisions of the Trust Deed (other than a modification which is of a formal, minor or technical nature or to correct a manifest error) shall become effective unless Supervisory Consent shall have been obtained by the Issuer and/or the Guarantor.

16. **Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Bondholders or Couponholders and in accordance with the Trust Deed, to create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of Bonds having the benefit of the Trust Deed.

17. **Notices**

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in the United Kingdom (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date

of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders.

18. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Bonds and the Trust Deed and all matters arising from or connected with the Bonds and the Trust Deed are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The Guarantor has in the Trust Deed (i) agreed for the benefit of the Trustee and the Bondholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Bonds; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Bondholders from taking Proceedings in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Bondholders may take concurrent Proceedings in any number of jurisdictions.

There will appear at the foot of the Conditions endorsed on each Bond in definitive form the names and Specified Offices of the Paying Agents.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds are in the form of the Permanent Global Bond deposited with a common depository for Euroclear and Clearstream, Luxembourg. The Permanent Global Bond is exchangeable in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of £1,000, £10,000 and £100,000 each at the request of the bearer of the Permanent Global Bond against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default and Enforcement*) occurs.

The Permanent Global Bond will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Bonds if, by reason of any change in the laws of the United Kingdom, the Issuer or the Guarantor is or will be required to make any withholding or deduction from any payment in respect of the Bonds which would not be required if the Bonds were in definitive form.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Permanent Global Bond contains provisions which modify the Terms and Conditions of the Bonds as they apply to the Permanent Global Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Permanent Global Bond at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Permanent Global Bond, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 17 (*Notices*), while all the Bonds are represented by the Permanent Global Bond and the Permanent Global Bond is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The gross proceeds of the issue of the Bonds, being £500,000,000 will, as from 10 July 2006, be used by the Guarantor to fund the general business and commercial activities of the Guarantor.

DESCRIPTION OF THE ISSUER

As referred to above, this Prospectus incorporates by reference the IPO Registration Document dated 15 June 2006. Information on the Issuer and the Standard Life group of companies is set out therein.

DESCRIPTION OF THE GUARANTOR

History and Development

The Guarantor's legal and commercial name is SLLC Limited. On 10 July 2006, SLLC Limited will be renamed Standard Life Assurance Limited.

The Guarantor was incorporated in Scotland with registered number SC286833 on 30 June 2005.

The Guarantor was incorporated as a private limited company under the Companies Act 1985 and operates under the Companies Act 1985. The Guarantor's registered office is at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, United Kingdom and the telephone number of its registered office is 0845 275 3000.

The Guarantor's principal objects, as set out in Clause 3 of its memorandum of association, are *inter alia* to carry on business as a general commercial company.

Management of the Guarantor

Name	Position	Address	Other Directorships
Lord Norman Blackwell	Non-executive director	Tyrrelcote Woodcote Green Road Epsom Surrey KT18 7DN	Centre For Policy Studies Ltd The Corporate Services Group PLC Slough Estates PLC Smartstream Technologies Group Ltd Smartstream Trustees Ltd Kinnect Holdings Ltd Interserve PLC Standard Life PLC
Michael Kent Atkinson	Non-executive director	Willow Lodge Pennymead Rise East Horsley Surrey KT24 5AL	Marconi Corporation PLC Telenet PLC
Trevor John Matthews	Director	2 Ettrick Road Edinburgh Midlothian EH10 5BJ	

Name	Position	Address	Other Directorships
John Easton Gill	Director	19 Strachan Road Edinburgh EH4 3RH	
Shaun Edward Doherty	Director	13 Ashburnham Gardens South Queensferry EH30 9LB	Origo Services Ltd
Alexander Maxwell Crombie	Director	Greenore Ancrum Road Dalkeith EH22 3AJ	
Nathan Richard Parnaby	Director	2 Barnton Loan Edinburgh EH4 6JQ	
Barry O'Dwyer	Director	58 Netherby Road Edinburgh Midlothian EH5 3LX	

Role of the audit committee

The audit committee's remit is to consider matters relating to the financial reporting arrangements of the Guarantor, its internal and external audit arrangements and its internal control and compliance arrangements and to make appropriate recommendations to the Board of Directors of the Guarantor. The audit committee meets at least four times a year. Audit committee meetings are also attended by invitation by the Chief Executive, Company Finance Director, Company Compliance Manager, Group Internal Audit Director, Group Risk Director, Money Laundering Reporting Officer and representatives from the Guarantor's Finance and Compliance departments.

The audit committee reviews financial statements, any significant regulatory returns and any other financial information requiring board approval. The audit committee reviews the adequacy and effectiveness of the internal control and risk management systems and the annual regulatory compliance plan of the Guarantor. The audit committee also reviews the arrangements by which employees of the Group may, in confidence, raise concerns about possible impropriety in matters of financial reporting or other matters under the audit committee's remit and ensures that any concerns are independently investigated and that appropriate follow-up action is taken.

External audit

Within the overall scope and planning of the external audit of the Issuer, the audit committee considers the specific scope and planning of the external audit, reviewing the findings with the external auditors. It also reviews the terms of external auditors' management letters specific to the Guarantor and reviews and monitors management's responsiveness to the findings and recommendations of the external audit function.

The audit committee considers and makes recommendations to the Group's audit committee in relation to the appointment, re-appointment, removal and remuneration of the Group external auditor.

Internal audit

The audit committee assists the Board in fulfilling its responsibilities relating to the effectiveness of the internal audit function. The audit committee reviews the internal audit plan and reviews and monitors management's responsiveness to the findings and recommendations of the internal audit function and monitors the effectiveness of the liaison between the Guarantor's internal and external audit functions.

The Guarantor has its own Board of Directors and the membership of the Board includes non-executive Directors of the Issuer. The Board of Directors of the Guarantor has adopted a board charter acknowledging the requirement to refer certain reserved matters to the Board of Directors of the Issuer for approval, to comply with Group policies and to report to the Board of Directors of the Issuer on the implementation of these requirements. The corporate governance policies of the Guarantor comply with the Combined Code on Corporate Governance, as issued by the Financial Reporting Council in July 2003 and the Model Code on Directors' Dealings in all respects.

Capital Structure

The authorised share capital of the Guarantor as at 30 June 2006 is £11,000,000 divided into 600,000,000 ordinary shares of 1p each ("**Ordinary Shares**") and 5,000,000 B ordinary shares of £1.00 each ("**B Ordinary Shares**") (of which 1 Ordinary Share of 1p and all of the B Ordinary Shares are issued fully paid to SL (Newco) Limited).

On 10 July 2006:

- (a) the authorised share capital of the Guarantor is expected to be £20,000,000 divided into (i) 1,500,000,000 Ordinary Shares and (ii) 5,000,000 B Ordinary Shares (i.e. increased by the creation of 900,000,000 Ordinary Shares);
- (b) 999,999 Ordinary Shares of 1p each will be allotted and issued to the Issuer in consideration for the acquisition of substantially all of the business of The Standard Life Assurance Company;
- (c) the Issuer will exercise an option entitling it to acquire from SL (Newco) Limited, the remaining issued share capital of the Guarantor (i.e. the Guarantor's sole shareholder will become the Issuer).

Between 10 and 13 July 2006:

Up to a further 1,499,000,000 Ordinary Shares of the Guarantor will be issued in consideration for a cash injection of, in aggregate, up to £795,000,000.

Major Shareholders

The Guarantor's share capital is owned by Standard Life plc.

TAXATION

The comments below are of a general nature and should be treated with appropriate caution. They are based on our understanding of current United Kingdom law and published practice relating to the withholding or deduction for or on account of United Kingdom income tax from interest on the Bonds. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Bonds and they relate only to the position of persons who are the absolute beneficial owners of the Bonds and may not apply to certain classes of such owners, such as those carrying on a business of dealing. Prospective Bondholders should be aware that the particular terms of issue of any further Bonds may affect the tax treatment of that and other series of Bonds. **Bondholders who are in any doubt as to their tax position or who may be liable to taxation in jurisdictions other than the United Kingdom should consult their professional advisers.**

Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisitions, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK Source Interest

Payments of interest made on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax as long as the Bonds are and remain at all times listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The London Stock Exchange is a recognised stock exchange for these purposes. In other cases, except where certain exemptions apply, an amount may be withheld on account of United Kingdom income tax at the lower rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double tax treaty.

Payment by the Guarantor

If the Guarantor makes any payments in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) there is a risk that such payments may be subject to United Kingdom withholding tax at the basic rate (currently 22%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the exemption for securities listed on a recognised stock exchange as described above.

Provision of Information

Bondholders should note that where any interest on Bonds is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "paying agent"), or is received by any person in the United Kingdom acting on behalf of the relevant holder (other than solely by clearing or arranging the clearing of a cheque)

(a "Collecting Agent"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to Her Majesty's Revenue and Customs details of the payment and certain details relating to the holder (including the holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the holder is not so resident, the details provided to Her Majesty's Revenue and Customs may, in certain cases, be passed by Her Majesty's Revenue and Customs to the tax authorities of the jurisdiction in which the holder is resident for taxation purposes.

For the above purposes "interest" should be taken, for practical purposes, as including payments made by the Guarantor in respect of interest on the Bonds.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Bonds where the amount payable on redemption is greater than the issue price of the Bonds.

Other Rules Relating to United Kingdom Withholding Tax

1. Where Bonds are to be, or may fall to be, redeemed at a premium then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and the reporting requirements as outlined above.
2. Where interest has been paid under deduction of United Kingdom income tax. Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
3. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.
4. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

SELLING RESTRICTIONS

United States of America

Regulation S

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

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

European Economic Area

Other than in the United Kingdom, no prospectus in relation to the Bonds has been approved by a competent authority of a Member of State of the European Economic Area.

General

Persons into whose hands this Prospectus comes are required by the Issuer and the Guarantor to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Bonds was authorised by a resolution of the Board of Directors of SL Finance plc dated 13 June 2002. The giving of the subordinated guarantee of the Bonds was authorised by a resolution of the Board of Directors of SLAC dated 20 April 2002. The assumption of the obligations as Issuer of the Bonds in place of SL Finance plc pursuant to the Restructuring (as defined in the Summary) was authorised and approved on 4 July 2006 by a resolution of a committee of the Board of Directors of the Issuer appointed pursuant to a resolution of the Board of Directors of the Issuer on 14 June 2006. The giving of the subordinated guarantee of the Bonds in place of The Standard Life Assurance Company by the Guarantor was authorised and approved on 5 July 2006 by a resolution of a committee of the Board of Directors of the Guarantor appointed pursuant to a written resolution of the Board of Directors of the Guarantor dated 4 July 2006.

Significant Change

2. There has been no significant change in the financial or trading position of the Issuer since 10 May 2006, the date to which the Historical Financial Information in Part X "Historical Financial Information" of the IPO Registration Document was prepared.

There has been no significant change in the financial or trading position of the Guarantor since 31 December 2005, the date to which the Historical Financial Information in Part X - "Historical Financial Information" of the IPO Registration Document was prepared.*

Material Adverse Change

3. There has been no material adverse change in the prospects of the Issuer since 10 May 2006, the date to which the Historical Financial Information in Part X "Historical Financial Information" of the IPO Registration Document was prepared.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2005, the date to which the Historical Financial Information in Part X - "Historical Financial Information" of the IPO Registration Document was prepared.*

Litigation and arbitration proceedings

4. Other than as set out below, none of the Guarantor or any of its subsidiaries (the "**SLAL Group**") is or has been involved in, nor, so far as the SLAL Group is aware, has any pending or threatened, government, legal or arbitration proceedings, during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the SLAL Group.

* The IPO Registration Document describes the basis on which the Historical Financial Information for financial years 2005 and 2004 has been prepared and in this respect that information shows the position as if The Standard Life Assurance Company had been a proprietary and not a mutual company during these two financial years. In making the no significant change and no material adverse change statements, the bench mark is the end of financial year 2005 and these statements are therefore made on the same such basis as though The Standard Life Assurance Company was a proprietary company and the Guarantor was its wholly owned subsidiary.

As at 31 December 2005, a provision of £116 million was held for potential compensation payments to policyholders arising from the Group's review of past sales of mortgage endowment policies. This provision is intended to cover the estimated redress to mortgage endowment policyholders together with administration costs involved in settling mis-selling and other claims. In 2005, the Group received approximately 57,500 complaints in relation to mortgage endowment policy mis-selling.

Documents on Display

5. Copies of the following documents may be inspected during normal business hours at the offices of Clifford Chance at 10 Upper Bank Street, London E14 5JJ and the Issuer at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH for 12 months from the date of this document:
 - (a) the constitutive documents of the Issuer;
 - (b) the constitutive documents of the Guarantor;
 - (c) the Paying Agency Agreement, the Amendment Agreement relating to the Paying Agency Agreement and the Second Sterling Bonds Supplemental Trust Deed;
 - (d) the IFRS Historical Financial Information of The Standard Life Assurance Company ("SLAC") for FY 2005 and FY 2004, the UK GAAP Historical Financial Information of SLAC for FY 2004 and FY 2003, and the IFRS Historical Financial Information for Standard Life for the period to 10 May 2006 in Sections B, D and F, respectively, of Part X - "Historical Financial Information" of the IPO Registration Document;
 - (e) the Accountants' Report from PricewaterhouseCoopers LLP on the IFRS Historical Financial Information of SLAC for FY 2005 and FY 2004, the UK GAAP Historical Financial Information of SLAC for FY 2004 and FY 2003 and the IFRS Historical Financial Information for Standard Life for the period to 10 May 2006, in Sections A, C and E, respectively, of Part X - "Historical Financial Information" of the IPO Registration Document;
 - (f) the Consulting Actuaries' Report from Watson Wyatt Limited in Part XII - "Consulting Actuaries' Report" of the IPO Registration Document; and
 - (g) a copy of this Prospectus and the IPO Registration Document.

Copies of the IPO Registration Document are available on the Group's website at www.standardlife.com, subject to access restrictions.

Interests of persons involved

6. There are no existing or potential conflicts of interest between any duties owed to the Issuer by its Directors and the private interests and/or other external duties owed by these individuals.

7. There are no existing or potential conflicts of interest between any duties owed to the Guarantor by its Directors and the private interests and/or other external duties owed by these individuals.

Yield

8. On the basis of the issue price of the Bonds of 100 per cent. of their principal amount, the gross yield of the Bonds is 6.75 per cent. on an annual basis.

Legend Concerning US Persons

9. The Bonds and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

ISIN and Common Code

10. The Bonds clear through Euroclear and Clearstream, Luxembourg. The ISIN is XS0151267878 and the common code is 15126787.

**REGISTERED OFFICE OF
THE ISSUER**

Standard Life plc
Standard Life House
30 Lothian Road
Edinburgh EH1 2DH
United Kingdom

**REGISTERED OFFICE OF THE
GUARANTOR**

(SLLC to be renamed)
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Edinburgh EH1 2DH
United Kingdom

PRINCIPAL PAYING AGENT

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9 Thomas More Street
London E1W 1YT
United Kingdom

PAYING AGENT

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United Kingdom

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